The

Management Review

JUNE, 1953

THE MONTH'S BEST IN BUSINESS READING . . .

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General Management

Books of the Month

Among the Features

AMERICAN MANAGEMENT ASSOCIATION

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The Management Review

A Partial List of Contents

General Management

WHY TOP MEN DUCK WASHINGTON

THE NEW Administration has been experiencing unexpected difficulties in recruiting the manpower to fill out its policy-making team. Not the dozen or so very top places, for there are many aspects of the highest public posts which appeal even to men who must make heavy sacrifices to accept them. A notch below, on the other hand, scores of subordinate positions in the new Administration, which are much more important than the general public realizes, have gone begging for weeks before being filled with second, third and fourth choices. What is it that determines whether good men will or will not go into government?

The inducements that persuade a man to take a first-rank government job—in spite of monetary drawbacks—are very strong indeed. The first, of course, is patriotism; other, less altruistic considerations include prestige, power and influence. These considerations make it relatively easy for a President to fill his Cabinet posts with men of first-rate ability. Take one step down the ladder, though, and the picture undergoes a great change. The labor of a second-in-command is hardly less important and hardly less difficult than that of the head of the department; but the recompense in power, in influence, and in prestige is vastly reduced.

There is, to begin with, the official inquisition, which long ago passed beyond the legitimate questions of a man's honesty and ability and became an incessant fishing for something that can be used for partisan advantage. A man who has had the bad luck to marry a silly or vicious woman is today all but barred from public service. In addition, of course, there is the daily shower bath of mud flung by political scavengers, gossip columnists and fanatics of every stripe. That is an occupational risk.

The expense of Washington life is substantial even if a man draws as high as $18,000 a year, the top salary for a sub-Cabinet position.* Accepting a government post may involve buying or renting an extra house, moving and travel charges, taking the children out of school, or other costly inconveniences. It may cost an executive a future promotion, a lawyer an important client, a business man his prime years.

Finally, such men are definitely expendable. Many a man has found his career summarily ended through no fault of his own, but to save the face of his chief.

These factors combine to make Government positions on lower policy-making levels most difficult to fill with competent men. Where the solution will be found no one less than a political philosopher can say, but it will not be found in the office of the Treasurer of the United States. In some offices increased salaries may help, but money alone will not solve the problem. The best type of public servant is not and never was paid

* For a detailed comparison of executive pay patterns in government and industry, see "Executive Compensation in the Federal Government" by Jerome M. Rosow in PERSONNEL, March, 1953. —ED.

in legal tender anyhow. His real pay is in non-material satisfactions, and it is these that must be increased if the service is to attract and hold the kind of men it ought to have.

How to increase such satisfactions? An Englishman who would not be faintly interested in a big salary will toil like a galley-slave year after year for no reward except the privilege of kneeling before his sovereign and being tapped with the Sword of Honor. Similarly, a Frenchman will work to the verge of collapse for nothing but a scrap of red silk to wear in his buttonhole. But there is no equivalent non-monetary compensation for an American.

The situation could be improved to some extent by taking steps to make Congressional investigations less brutally oblivious of the rights of individuals. But this would be difficult without putting hampering restrictions on the investigatory powers of Congress, and that would be definitely against the public interest. In any event, even if we discovered how to work the miracle of establishing fairness by statute, it would be no more than a negative improvement. What we need is something to make government service more attractive to men of exceptional ability.

The problem deserves more careful public attention than it has received in this country. Lesser officers of government are, on the whole, fairly well rewarded by fair salaries, reasonable tenure, good working conditions and various benefits under civil service. The highest officers of state receive their reward in the respect of their fellow-citizens. The men between can't be recompensed in dollars and they are not, generally speaking, paid in public esteem for the serious disadvantages they incur by entering public service. So the flat truth is they are not adequately paid; and it is unbecoming a great nation to exact services from its citizens without payment in full.

—GERALD W. JOHNSON. *The New York Times Magazine*, May 3, 1953, p. 19:2.

Executive Department—A New Angle

ONE OUT of every three business men is in the habit of putting his feet up on his desk at least once a day, according to a survey reported in the March, 1953 issue of *Office Executive*.

Muscular tension, the survey revealed is the most common symptom of business worries. Raising the feet to desk level is said to break up muscular habit patterns, releasing tension on the large muscles at the back of the thigh. This, in turn, diminishes mental tension.

For the benefit of executives who might wonder about the propriety of relaxing in this fashion, the survey's authors point out that modern posture chairs will enable them to do so with dignity and grace.

Sponsors of the survey: The National Office Furniture Association.

RECOGNIZING that obesity constitutes a major threat to health for business men, some companies have developed special diets for their executives. Westinghouse's executive dining room features a 350-calorie "Waistliner" luncheon and posts a calorie count after every item on its menu.

—*Time* 3/30/53

TOMORROW'S MANAGERS: HOW SHOULD THEY BE EDUCATED?

AMERICAN BUSINESS is talking a great deal these days about its need for more broadly-educated men. More and more frequently, executives are heard to say that they can (within certain obvious limitations) create their own "specialists" after they hire them, but what they need and *can't* create is men with a decent general education.

Over-specialization, they complain, is robbing business of potential top-management material. The trend toward more and more undergraduate specialization can be readily documented. A recent *Fortune* survey of 50 colleges and universities shows that students are taking, and colleges are giving, less fundamental education than ever before. Business men are rightfully alarmed.

And who is to blame? The fact is that business itself—through its own personnel recruitment policies—is largely to blame. Judging from the job specifications that company recruiters are currently bringing to the campus, the going market for men with a broad general education, particularly liberal-arts majors, is not nearly so reassuring as are the words of top management.

Yale is a case in point. In 1950, of the 66 manufacturing companies that reserved interviewing space, only 18 mentioned possibilities for liberal-arts graduates. In 1952, only 16 of 117 manufacturing companies even alluded to B.A. graduates in their presentations.

In other colleges the story is much the same. Of the first 200 recruiters to visit Johns Hopkins University this year, only 16 were willing to have a look at liberal-arts majors.

Recruiters who do show interest in a student with a liberal-arts background generally seem to be hoping that the candidate may have other qualities—such as "personality" or "leadership" in extracurricular activities—to counterbalance his archaic course of studies and make him useful after all.

In the colleges, the recruiter's employment specifications are read as a measure of the rewards and expectations of business; the whole campus has been put on notice that the "impractical" liberal-arts education does not pay off. As one placement officer puts it, "the student who is trained to think in words, who can write, who has interest in and some understanding of our complicated world," gets the impression he is just about useless to industry.

The records show how well the lesson has been learned. Out of the 227,029 men who got their first degrees from 1,306 colleges and universities last year, less than a third took courses that by any stretch of the definition made them products of a general education. It is estimated that an even smaller proportion of this year's undergraduates will have had the benefit of a general education.

One of the reasons for this drop is that most colleges all but swamp the student with vocational "electives." So college bulletins list courses like Furs; Advanced Furs; Employment Seminar—How to Get and Hold a Job (listed as a "comprehensive course"); and Personality Development—Its Effect in Business. Moreover, the amount of time undergraduates are required to spend on fundamental education before launching into their vocational specialty is being steadily reduced.

Some business men think it's time that

education started talking back—and for business' as well as education's sake. "It is the broader-gauge man who is scarce," says Gulf Oil's President Sidney Swensrud. "The men who come into management must understand the whole sweep of modern economic, political, and social life."

Says Irving Olds, U. S. Steel's retired board chairman, "The most difficult problems American enterprise faces today are neither scientific nor technical, but lie chiefly in the realm of what is embraced in a liberal-arts education."

Whatever the long-range answers to these problems may turn out to be, the immediate remedies are fairly clear. For one thing, business should reduce its demands on the colleges for specialists, even if this involves paying for greater on-the-job training opportunities. Second, corporations ought to give more generous financial support to the private liberal-arts college. Third, top business men sitting on college and university boards will have to give at least moral impetus to general-education programs in undergraduate schools.

—*Fortune*, April, 1953 p. 113:3.

PUTTING DIRECTORS ON A SALARY

More and more, outside members of boards of directors—those who aren't company officers—are wondering whether the time, effort, and responsibilities that go with the honor are worth the comparatively small fees.

For this reason, many companies today are wrestling with the problems of (1) getting good men to serve on their boards, and (2) paying them enough—once they get them—to command their services.

In most companies, directors who aren't officers get something like $100 a meeting, plus expenses. In addition, they often get fees for attending committee meetings. That can add up to a tidy sum—but it still isn't enough to satisfy a lot of directors.

General Mills, Inc., is an exception to the rule. Of the 16 men on its board, nine get $10,000 a year each (plus travel expenses) for their services as directors. Of the other seven, five—who hold top operating jobs in the company—get only their salaries. Seven of the nine who get $10,000 a year are outside directors; the other two are former General Mills executives.

The board meets monthly, with one meeting a year devoted to a field trip to one of the company's plants. Each monthly meeting has a carefully planned agenda. Every project or problem to be brought before the board is prepared as a report and mailed to each director well in advance of the meeting. Directors are expected to be familiar with the details—purposes, cost figures, possible savings—before the meeting. It is estimated that the directors put in at least 20 hours of study time in preparing for every meeting, in addition to travel time to and from the meetings for out-of-town members.

Besides regular meetings, the annual field trip, and special sessions when the need arises, General Mills' directors must

serve on standing committees—such as the audit committee, made up of outside directors; the incentive policy committee; and the stock option committee, which passes on allocations of stock for key employees.

The board members are also on the executive committee, which acts in emergencies and relieves the full board of routine matters. On top of this, two management functions report directly to the board: research and public services.

Putting directors on a salary may become standard practice in a few years. Whether or not they get a raise, many directors would rather be paid regularly by check instead of having their meeting fees placed before them in a little envelope. From the company point of view, the annual fee can make sense, too, since the board chairman can call a director for a special job without feeling hesitant about imposing on his good nature.

The fee-for-attendance system does have one thing in its favor: It requires directors to make an effort to get to meetings. But attendance at meetings is only a small part of the value of a director. His experience in special fields, knowledge of general business conditions, and an outside point of view are most important. An annual fee recognizes a director for what he is—a management consultant.

—*Business Week*, March 28, 1953, p. 136:2.

Free Trade vs. Protective Tariffs—An Opinion Survey

IN A RECENT *Mill & Factory* survey made among 192 industrial firms of all types and sizes, 38 per cent of the respondents stated that foreign products compete directly in domestic markets with items they manufacture. Of companies so affected, 64 per cent said such competition is eased by federal protective tariffs.

Respondents held varying views about what the present administration should do about current tariff regulations: 34 per cent favored increasing tariff amounts, 54 per cent were for lowering them, and 12 per cent believed tariffs should be entirely eliminated.

Establishment of free trade would not be unfair to American industry, according to 65 per cent of the replying firms. This group felt their products could hold their own against imports in a free market.

—*Mill & Factory* 4/53

The 100 Largest Manufacturers

THE 100 largest manufacturing corporations had at the close of 1951 total assets in excess of $60 billion. Roughly 60 per cent was in cash, securities, inventories and receivables; 40 per cent in land, plant and equipment.

Average employment in the 100 companies is about 42,000, and the assets represent an average investment of roughly $15,000 per employee. Fifty-two of these largest companies have more shareholders than employees.

Twenty of the 100 largest companies are in the petroleum field, 17 in primary metals, 13 in food and kindred products, six in chemicals, five in transportation equipment.

—*Sales Management* 4/1/53

ARE YOU "TALKING DOWN" TO YOUR PUBLIC?

THIRTY YEARS AGO it was commonly assumed that to reach a mass public in America the language and the appeal of your message had to be suited to the mentality of a 10-year-old child. Aim higher, it was said, and you lost your audience.

If there was ever a grain of truth in that assumption, it has long since vanished. Today, the American business man is often in real danger of underestimating the intelligence of those to whom his message is directed—whether they are consumers, employees, stockholders, or some other public. It is high time for all of us to emerge from what has almost seemed a national inferiority complex with respect to our civilization, take stock of ourselves, and realize the truth: that our American economy represents an accomplishment unsurpassed at any time in the history of any people, combining as it does the world's highest material standard of living with a higher level of cultural life for all.

Let's consider a few facets of our culture. In 1950 there were 28 million high school graduates in our population. In 1951, 2,225,000 were enrolled in colleges or universities. Adult education classes are mushrooming today all over the country.

Increasingly, commerce and industry demand executives with professional training in the complexities of modern business, preferably superimposed upon an undergraduate course in liberal arts. College professors and deans serve on boards of directors and act as consultants to corporations; businessmen teach university classes, give special lectures to undergraduates and graduate students, and conduct specialized courses for executives. Many of our labor leaders, too, are college-trained.

A great many of our finest minds are going into science—and scientists are no longer confined to academic laboratories. Last year 50,000 of our scientists and research engineers were working for colleges or universities, 30,000 for the government, and 57,000 for business.

Throughout our civilization there is an interplay between education, making a living, and enjoying life. In the field of art, industry has taken the place of the church and the royal court as patron and also as subject. Industry commissions artists to do paintings, and exhibits their work. Modern, living art, as well as the work of the old masters, is of interest to a wide public. Executives of big companies are patrons of both museums and artists. Department stores have exhibits, sponsor art projects, and award prizes. Even supermarkets have shown paintings.

Our 110 million radio sets and 20.25 million television sets have contributed greatly to an increased appreciation of good music. As nearly as can be estimated from sampling surveys, three million families tune in when Toscanini broadcasts. Americans bought 27 million classical records last year, and two symphonies were among the 10 "best sellers." There are 200 symphony orchestras and 13 local opera companies in the U. S.

Travel abroad, once a luxury available only to the few, is now easily within reach of the many. Secretaries take off-season cruises identical with the ones the boss enjoys in season. More than half the families in the United States now take annual trips that average 10 days away from home. In a year, it is estimated, two

million Americans aside from service men travel abroad.

Last year we spent 96 per cent more dollars for books than we did even 10 years ago. A total of 11,255 books and 7,050 magazines were published in the course of the year.

Our church membership today is the largest in our history. The *Yearbook of American Churches* of the National Council of Churches of Christ in the U. S. A. reports 88,673,005 members, or 58 per cent of our present population. Between 1940 and 1950, when the population increased 15 per cent, church membership increased by at least 34 per cent. Sixty per cent of our population attends a religious service once a week, as compared to approximately 15 per cent in Britain, Norway, and Sweden.

Our system of private enterprise, our materialistic concern, is not the end product of American life but the instrument by which we attain higher productivity and more leisure, much of which is spent on projects to make a better way of living and to make possible a higher American culture. We are constantly lowering the number of hours a man must work to provide the necessities and desirables for his family.

We are a capitalistic country, but that capitalism is not concentrated in the hands of the few as it was at the turn of the century. Our system helps the underdog not only to better himself economically but to become an educated, well-adjusted, traveled, well-read, and cultured citizen of the world. We are, as we have been from the beginning of our history, the true revolutionists, the real champions of the common man.

—RUTH R. REED. *Advertising Agency*, March, 1953, p. 52:5.

How Automatic Can We Get?

HOW MUCH automation have we accomplished already in comparison with what is yet ahead of us? I know of no authoritative statistics that can tell us accurately what part of our instrumentation potential has been reached, but as I see it we are only nicely started. We may be 10 or 20 per cent along the way.

We are, of course, making remarkable progress toward automatic manufacture. But if we are realistic, we probably should expect no all-inclusive automation where no man works, yet everyone enjoys all the products he wants at little or no cost. There will be many places for highly automatic processes, but there will still be others where full automation will never make engineering or economic sense. Workers doing even such jobs as tightening bolts are regularly performing sensing, safety, and other operations which are often difficult and expensive to do automatically.

Actually, much automation is now as close as the nearest instrument engineer and master mechanic; and much technology is lying there ready to use. But until the systems-engineering responsibility is settled, the determinants of product quality and safety are expanded, and education is broadened, the partial or complete automatic factory will continue in its present, somewhat chaotic, state. Despite such promising solutions as servo-mechanism techniques, the over-all systems approach is really at an immature stage, particularly at the financial or management level, since management conditioned to traditional ratios of expenditures has yet to fully recognize that systems engineering, as a function, justifies its cost.

—HENRY F. DEVER before the Symposium on Instrumentation for the Process Industries.

PICKING A NEW PLANT SITE

THE SELECTION OF a site for a new plant is one of the most critical policy decisions industrial management has to make. In recent years, technical changes have made many more sites available than were previously possible, and many new aids to selection are now at management's disposal. In addition, certain changes in public policy on land use have made it essential for industries to exercise greater care in fitting themselves into existing community patterns.

Whether the investigation of new sites is conducted by a company official or an outside consultant, it is essential that all information be reduced to comparable terms and carefully scrutinized to eliminate non-factual material. Two basic sets of facts must first be established about the nature of your new plant's operation. The first deals with certain absolute requirements; the second has to do with more flexible factors.

Here are some of the questions that must be answered in determining what requirements should be classified as inflexible:

Is it absolutely essential that the proposed plant have a railroad siding on the premises?

Will the type and amount of trucking activity be such that high standards of street and highway design will be essential?

Are industrial processes contemplated which might limit the choice of location because of possible zoning regulations, air pollution controls, or laws defining noisy operations as public nuisances?

Are there unusual requirements which make special utility services and capacities absolutely essential?

What is the minimum parcel size, taking into consideration possible expansion needs and growing parking requirements?

Would a sloping site facilitate machinery layout, or is level terrain essential?

What is the size of the executive and labor force that must be accommodated in suitable housing within commuting radius?

Are there other absolutely essential requirements?

Many factors, such as soil bearing capacity, labor wages, labor relations, taxes, utility costs, insurance rates, and land costs are excluded from the above list because—with rare exceptions—any one of them, no matter how adverse, could conceivably be outweighed by savings elsewhere.

The second set of facts which must be developed before field work commences consists of the estimates of probable quantities for the numerous variable factors.

First, we must estimate what the probable labor requirements will be by types of skills. Second, we must know the nature of incoming freight and its point of origin. Third, we must have the same information for outgoing freight. Finally, we must know something of the miscellaneous services that will be required from outside contractors and suppliers.

Having established these two sets of basic assumptions, the analyst is now ready to commence his field investigations. Using the first set of assumptions, i.e., the essential requirements, he will first identify all those locations which meet the specifications and are therefore worthy of detailed consideration. His next step will be to collect cost data on all factors which will affect actual operations.

Possible sources of such information are almost numberless. They include busi-

ness contacts and correspondents in other cities, such as banks, attorneys, manufacturers' agents, or the company's own sales force. There are many development associations, public, semi-public, and private, which may provide needed help. In addition, most railroads and utilities now offer industrial development services. Industrial realtors are represented in many cities by a chapter of the Society of Industrial Realtors. The federal and state governments, through their many offices, offer a great deal of information. University libraries, public libraries, and industry-maintained libraries are often invaluable sources.

While the proper procedure for selecting a plant site may vary considerably with the individual circumstances, its basic feature in every case should be meticulous attention to all possible factors, both favorable and adverse.

—ROBERT P. DANIELSON. *Pacific Factory*, May, 1953, p. 42:3.

Profits and Presidents' Pay

BEFORE A corporation can pay its president a salary of $100,000 annually, it should be earning profits of $6½ million. This represents the standard pattern for compensation of presidents of both small and large corporations, according to a recent study by the Wolf Management Engineering Company (Chicago) of the records of more than 85 companies in a wide range of industries, and of public statistics on the compensation of presidents. Here is the breakdown:

For $50,000 pay, profits must be $1½ million. To get the same pay in below-average industries, the company must be making $3½ million.

For $75,000 pay, profits must be $3½ million in most industries; $10½ million in industries paying below-average compensation; and only $2½ million in industries paying above the average.

For $100,000 pay, profits must be approximately $6½ million, but only $3½ million in above-average industries.

For $125,000 pay, the typical president must produce about $13 million in profits, with above-average industries requiring but $6 million profits for the same pay.

For $150,000 pay or more, the pattern is less clear, since relatively few companies pay their presidents this amount. However, it generally takes $25 million in profits in the typical corporation before the president's pay reaches $150,000, though in above-average industries it takes but $12½ million in profits before the president's pay exceeds $150,000.

—*The Controller* 4/53

THE ENORMOUS ROOM: We have recently entered a room, the door to which was labeled the atomic age. We are in that room and we have found that it is so large and so dimly lighted that we cannot begin to perceive its size or to recognize what is in it. And we do not know how many doors lead from this room into other rooms, perhaps just as significant in the history of man. But we have crossed the threshold and we cannot turn back. All we can do is go forward as boldly—yet as wisely—as we can. One of the great responsibilities we assumed when we gained our position of atomic world leadership was to lead the way into the atomic age.

—GORDON DEAN in *The Clarkson Letter* (Clarkson College of Technology, Potsdam, N. Y.) 1/53

Also Recommended • • •

WHO OWNS AMERICA? By Harold F. Clark. *Challenge Magazine*, New York University, (32 Broadway, New York 4, N. Y.), May, 1953. 20 cents. Most of the people own most of the wealth in the United States, with two-thirds of all income going to persons earning less than $7,500 a year, the author states. Widespread ownership is important, he says, but not nearly as important as investment of our wealth in factories, machinery and equipment to increase production.

"HE'S IN A MEETING." By W. H. Conant. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1953. 35 cents. About 85 per cent of the committee meetings in business are a waste of time and money and a serious annoyance to outside business associates who cannot reach executives attending these conferences, the author believes. More analytical thought and better solutions to problems can be given through letters, memorandums, telephone conversations, and two-man discussions than by group conferences, he contends.

THE TRANSIENTS II: THE FUTURE, % PARK FOREST. By William H. Whyte, Jr. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), June, 1953. $1.25. How will today's junior executives run things when they get to the top? This article finds clues in the way they make their homes and deal with their neighbors in the new package communities, such as Park Forest, Illinois, which is described here in detail. The emphasis is upon society and the job of adjusting to it, upon cooperation, and upon participation in a wide variety of community projects, the author found.

WHAT WE ARE LEARNING ABOUT SOVIET TECHNOLOGICAL PROGRESS. By R. M. Winters. *Commerce* (1 North La Salle Street, Chicago 2, Ill.), May, 1953. 35 cents. Russian engineers are keeping up with U. S. technological progress in such fields as atomic energy, electronics, and aviation, the author concludes from reports of U. S. officials and students of Russian science and economics. In the early 1950's the Soviets were able to exceed their best pre-war production, largely because of their high regard for education and science, their ability to translate basic research into immediate practical results, and their decision to hire foreign technicians before and after the war, the author says.

TOP MANAGEMENT BY MATHEMATICS. *Business Week* (330 West 42 Street, New York 36, N. Y.), May 30, 1953. 25 cents. Already successful in developing the most efficient method of cracking crude oil into many products and helping companies with seasonal sales decide the best production schedules, linear programming—a method of solving management problems by techniques used in the physical sciences—may some day help business to measure good will or to decide on the basis of the past behavior of competitors whether to produce more or cut back, this article predicts.

AMERICAN BUSINESS AND THE INDEPENDENT COLLEGE. By Louis B. Lundborg. *Vital Speeches* (33 West 42 Street, New York 36, N. Y.), May 1, 1953. 30 cents. The corporation today is the major beneficiary of two products that colleges and universities manufacture—the trained mind and a climate of freedom, a bank executive points out. Business, therefore, should willingly replace part of what it has taken in trained manpower and research knowledge by financial contributions to independent colleges and universities, which are badly in need of funds.

DEVELOPED AND UNDERDEVELOPED COUNTRIES IN INTERNATIONAL ECONOMICS. *Studies in Business and Economics* (Bureau of Business and Economic Research, University of Maryland, College Park, Md.), June, 1953. An analysis of the issues involved in economic relations between developed and underdeveloped countries with special emphasis on the industrialization of previously agricultural regions.

SLICHTER LOOKS AHEAD. By Sumner H. Slichter. *Commerce* (1 North La Salle Street, Chicago 2, Ill.), April, 1953. 35 cents. After considering four basic factors which will influence the course of business during the next few years, the author concludes that it will be possible to maintain a high level of production and employment if anticipated cuts in defense spending are offset by reductions in taxes and if an expected reduction in private investment is counteracted by higher state and local expenditures and a rise in the proportion of personal income spent for consumer goods. Should international developments compel a substantial rise in defense spending, plans for increasing consumer spending must be quickly laid aside, he believes.

Industrial Relations

HOW CAN WE RECRUIT MORE ENGINEERS?

E. D. SERAPHINE
Engineering Manpower Commission
Engineers Joint Council

About 5,200 industrial firms are competing this year for an estimated 22,500 engineering graduates. Of these, about 10,000 will be unavailable to industry because of R.O.T.C. and selective service commitments. Yet some companies will require as many as 600 engineers. That is the grim outlook for the remainder of 1953.

What are these engineer-starved firms doing to correct this situation? Among other things, they are actively working with secondary schools throughout the country to impress upon the student bodies the need for engineering and scientific talent. Through various channels, these students are being urged to take aptitude tests and to study the necessary science subjects to equip themselves for a college career. In many cases, industrial "open houses" are being held so that groups of interested secondary school students may view the engineering aspects of industry under the guidance of their teachers. In many instances these programs are showing results. Freshman enrollments in engineering colleges have exceeded previous estimates for this year and are expected to top original estimates for the fall of 1953.

Deans of engineering colleges are allying themselves with these industrial efforts and approaching high-school students in their areas. Many of the engineering colleges are working hand in hand with industry by holding week-long sessions at which qualified high school students are given an engineer's-eye view of college facilities.

Coupled with these efforts is a large and constantly growing scholarship program. Industry, colleges, foundations, and many other groups are making funds available to deserving students. Students who feel that they can qualify for scholarships are being urged to contact their high school principals, the engineering colleges that they prefer, or local industrial executives, for information on scholarship aid.

Such organizations as the Engineering Manpower Commission of Engineers Joint Council, which is directly concerned with the engineering manpower situation, are working closely with industry in these efforts.

While the increasing freshman enrollments in engineering are gratifying for such organizations, they feel that inducing qualified young men to enroll in engineering colleges is not the whole answer. In spite of the scarcity of engineers, their services are in some cases being poorly utilized. Industry in general, however, has turned over a new leaf in this respect during the past year. In many cases, companies have surveyed their engineering departments with a view toward freeing the engineer from work that can be performed by sub-professional aides so

that he may devote himself more fully to specific engineering tasks.

The problem of utilization is further complicated by the manpower demands of the military. College R.O.T.C. programs are being stepped up to such a degree that in 1955, if present planning is implemented, about 50 per cent of the graduating classes will be obliged to fulfill service periods in various branches of the armed services. Moreover, young graduate engineers who have not committed themselves to R.O.T.C. are being drafted. The scales of supply and demand are badly out of balance—to a great extent because in the face of the critical industrial need so many engineers are obliged to perform military service having no relation to their proficiencies and training.

In the light of this situation, many companies and industrial associations are convinced of the need for corrective legislation resulting in a manpower policy which would allow them the engineers and scientists needed for the fulfillment of urgent production commitments.

They point out that recent progress in atomic energy, nuclear fission, jet propulsion, and the wonder-drug field will constantly intensify the need for graduate engineers and scientists. Moreover, none of industry's current defense contracts can be properly handled without adequate engineering and scientific talent.

As engineers begin to return from military service, industrial recruiters have added new stops to their itineraries. They have been generally advised by the Engineering Manpower Commission that engineers returning from the service may be located through college placement bureaus and through the many branch offices of the Engineering Societies Personnel Office. Letters and other material outlining placement service facilities have been sent to engineers in the armed forces who could be located through various national societies, in the hope of persuading them not to stray into other fields of work. Engineers are being told, by some of the military publications and by letter, that industry wants their services. While the number of returning engineers is small compared to the estimated 30,000 needed by industry alone, it does offer some hope that the wide gaps now existing in most engineering departments may to some extent be reduced.

Though industry's efforts at the secondary school level are not yet producing the needed results, they are still continuing.

A public-service advertising campaign, launched recently by The Advertising Council at the request of the Engineering Manpower Commission, is now reaching major proportions. Designed to impress qualified youth with the important role of the engineering profession in the national economy, and to inform them about the types of work that engineers do, this public relations and advertising drive has already brought thousands of letters of inquiry from young people who want more detailed facts on the qualifications required, the colleges that offer training in engineering, specific engineering fields, and a great deal of other such information—all of which indicates that the penetration of the campaign has been considerable.

This, however, is a long-range program which promises no immediate satisfaction of industry's present needs. A better eventual solution would lie in intelligent manpower legislation that would enable industry to obtain enough graduating engineers to maintain the technological machinery upon which the nation and its citizens are so dependent.

COMPANY INFORMATION SOURCES: HOW DO THEY RATE WITH WORKERS?

From what sources do your employees get their information about your company and their jobs—from bulletin boards or the house organ, other employees, the grapevine?

The Industrial Relations Section of the California Institute of Technology has some ideas on the subject, having specialized in tapping the opinions of thousands of rank-and-filers in numerous plants. Cal Tech in a series of opinion polls asked employees two questions: (1) Through what channels are you now getting most of your information? (2) Through what channels *would you prefer* to get most of your information?

As might be suspected, there is a considerable disparity between the media being used by management to communicate to employees and the information outlets employees prefer. The following are some of the findings.

The Bulletin Board. Employees are fairly satisfied with the bulletin board as an information channel, but *less than a quarter* of those surveyed depend on it as a major source of information, partly because of lack of details. This medium of information apparently needs to be supplemented by other channels of communication. Here are the figures on a four-company breakdown:

	Now	*Prefer*
Company A	8.1%	9.0%
Company B	19.8%	17.3%
Company C	16.2%	17.1%
Company D	24.0%	29.5%

The Employee Publication. Where a company has a house organ, a goodly number of employees receive the bulk of their information from its pages. The breakdown:

	Now	*Prefer*
Company A	20.5%	12.4%
Company B	39.3%	30.5%
Company C	26.0%	17.9%
Company D	16.4%	14.9%

The real kicker in these figures is that *most* of the employees surveyed *do not prefer* the house organ as a major information source. Reasons are: a) news is stale by the time it comes out in employee papers; b) news is not well presented; c) news is incomplete; d) employees suspect that much news is censored by management; e) news is accompanied by too much trivia.

The Employee Handbook. The employee manual cannot be considered as a good information source because it is one-shot reading material for employees, and they rarely return to it. The Cal Tech survey bears this out.

Group Meetings. This is a real eye opener. *In every instance employees prefer this method for getting information about their jobs and company.*

	Now	*Prefer*
Company A	11.0%	31.2%
Company B	3.4%	16.1%
Company C	3.8%	8.9%
Company D	3.2%	16.7%

Indications are that if management made more extensive use of group meetings, much more information would stick with employees. Group meetings also afford an opportunity for a two-way flow of information.

Talks with Supervisor. This is closely

related to the group meeting formula and the preference by employees is just as great. The figures:

	Now	*Prefer*
Company A	14.9%	20.3%
Company B	8.1%	13.8%
Company C	12.6%	18.4%
Company D	15.2%	22.8%

Company Letters. Workers like to receive personalized communications from management and would welcome increased use of company letters. Note the figures:

	Now	*Prefer*
Company A	15.6%	19.7%
Company B	2.6%	9.2%
Company C	11.8%	18.7%

Fellow-Employees. The grapevine is *still* one of the biggest dispensers of information. The Cal Tech survey shows that a considerable proportion of workers get their information by word of mouth and the material is often distorted by the time it gets around the shop. Here are the figures:

	Now	*Prefer*
Company A	17.2%	0.7%
Company B	10.5%	1.0%
Company C	17.9%	1.5%
Company D	20.4%	3.5%

It's obvious that though employees least prefer word-of-mouth of fellow-employees as a source of information, they depend on it considerably because their companies don't do a good enough job of using other available channels.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.), Report No. 377, p. 9:4.

What's Ahead for the College Graduate

A BONANZA awaits the current crop of college graduates, for pay and opportunities have never been so good as they are this year. Thousands of companies are besieging the campuses, looking for promising prospects, and the colleges can't come near meeting the needs of business.

Most in demand are electrical, mechanical, and chemical engineers; chemists; geologists; physicists; electronics experts; and technical experts, such as accountants and actuaries. Aircraft plants, oil companies, and chemical corporations will offer the highest salaries.

Fewer opportunities are open to salesmen, merchandisers and business trainees. In least demand are social scientists, psychologists, sociologists, and personnel experts.

Pay will be astonishingly high. In the technical fields, holders of a bachelor's degree command about $330 a month. A master's degree is worth about $415 a month, and a Ph.D., about $500 a month. Graduates in the non-technical fields can start at about $300 a month. (In the boom year of 1929, $125 a month for new graduates was considered excellent.)

Girl graduates will also do well. Elementary school teachers, physical education teachers, home economists, secretaries, librarians, X-ray specialists, physical therapists, and dental hygienists will find the best opportunities. Girls trained in engineering or chemistry are also needed. They'll get about $10 to $15 a week less than the boys.

—*Changing Times* (The Kiplinger Magazine) 5/53

THE WORST CRIME against the working people is a company which fails to operate at a profit.

—SAMUEL GOMPERS

GRIEVANCES AND ARBITRATION: A STUDY OF CURRENT TRENDS

GRIEVANCE and arbitration provisions in in one form or another have now become almost a standard feature in union contracts. This conclusion emerges from a recent analysis by the Bureau of National Affairs of 400 contracts current in 1953 and covering both manufacturing and non-manufacturing industries. The following is a summary of the major findings.

Time Limits. Initial presentation of a complaint is conditioned upon its being made within a specified time in about 54 per cent of contracts. Except in the case of appeals from a discharge, these time limits are often five to 15 days, sometimes longer. (In discharge appeals, time limits are frequently 24 or 48 hours.) Subsequent processing is subject to time limits more often than are the first grievance steps; these time limits usually apply both to appeals by the union and to replies by management.

A pronounced recent trend, aimed at making the grievance machinery a two-way device for handling management as well as union complaints, is worthy of note. Twenty per cent of agreements have incorporated clauses specifically making the grievance machinery available to management for the formal presentation of complaints against the union.

Written Presentation. About 76 per cent of contracts require that complaints be put in writing for grievance processing. Many of the initial writing requirements, plus those of later steps, concern themselves with the situation after the employee has failed to receive satisfaction from his immediate supervisor.

Number of Steps. Practically all agreements provide the skeleton of a grievance procedure and indicate the steps to be followed. Exclusive of arbitration, three- and four-step procedures are most prevalent, appearing in about 34 and 30 per cent of contracts, respectively. Two-step (18 per cent) and one-step procedures (11 per cent) follow in that order. In general, there appears to be a tendency for grievance procedures to lengthen out with the size of establishments and their complexity.

Pay for Grievance Activity. About 43 per cent of contracts provide pay for employees who serve as union officials in presenting, investigating, and processing grievances. A number of contracts very carefully word pay-for-grievance-time guarantees so that only time spent in adjustment with management is compensated, not investigatory or other preparatory time. Fewer than 5 per cent of the agreements state that grievance representatives will *not* be paid for time spent in their union job, while over 50 per cent make no reference to compensation for grievance activity.

Conciliation. Five per cent of contracts now contemplate utilization of counciliation procedures. About half of these provisions make conciliation mandatory in the event the parties are unable to settle grievances between themselves.

Arbitration. Nearly 90 per cent of contracts now provide for arbitration of grievances arising under the contract. In about two-thirds of these agreements, either party may invoke arbitration. In about a third, arbitration appears to follow automatically upon a deadlock.

About 85 per cent of arbitration provisions (75 per cent of contracts) now leave the designation of an arbitrator or chairman of an arbitration board to de-

cision at the time arbitration is desired. These are often described as "ad hoc" provisions. Nearly all of the remainder designate a "permanent" arbitrator to function as umpire in all unsettled disputes under the contract. The remaining contracts do not consider the designation of an arbitrator, but most may be considered of the "ad hoc" type.

Restrictions upon the arbitrator are not as frequent in contracts as restrictions upon the scope of arbitration itself. About 33 per cent of contracts specify that certain matters shall not be referred to arbitration. In almost all such cases (except in textiles), it is provided that general wage questions cannot be arbitrated. Most contracts contain a more general restriction to the effect that only matters of interpretation or application of the contract may be arbitrated, excluding consideration of new issues, over and above those treated by agreement, during the contract term.

—*Labor Policy and Practice Bulletin* (Bureau of National Affairs, Inc.) May 7, 1953, p. 1:4.

"While you were on vacation, a question came up about your work—what do you do here?"

"FLEXIBLE RETIREMENT": ONE COMPANY'S EXPERIENCE

FLEXIBLE RETIREMENT, under which individuals may be permitted to work beyond the age of 65, has been an accepted policy for several years at Daystrom, Inc. We believe that problems of retirement should be handled in much the same way as other personnel matters—that is, by applying sound principles of personnel management to individual problems as they arise.

Four years ago we set up a committee of management to study all aspects of the problems of our more mature employees and report recommendations to management. Its members started out with the conviction that compulsory retirement was the goal to be sought; after considerable study, however, they were convinced of the need for a policy and a program based on the facts in the individual case.

To this end, the committee made a list of all individuals 65 years of age and over and studied all the known facts about each. In cases where retirement appeared desirable, further facts were collected as needed, and plans were made to talk to the individual with the purpose of eventually "selling" him on the idea of retirement.

In planning programs and reviewing the cases of individual employees, the committee became strongly convinced that not all employees are the same physical and mental age at 65, and that while some employees over 65 cannot pull their own weight, some younger employees also produce less than their share.

Another factor influencing the committee's attitude was a review of the actual cost, in terms of inefficiency, of keeping older workers on the job. Employees 65 years of age and over now comprise 4.8 per cent of the total U. S. labor force; in the average large industrial establishment, selective employment practices probably reduce this figure to about 3 per cent. The committee estimated that selective retirement would probably encourage half or more of these to retire, leaving roughly 1½ per cent of all workers in the over-65 bracket. Even if this group produced at no more than 50 per cent of normal level, the resulting inefficiency would amount to only ¾ of 1 per cent of the total labor effort.

We believe that retirement, where it is justified and is the proper action, can be "sold" to the employee, and that where it cannot, the action itself should be questioned. Frequently, this indoctrination and persuasion program involves selling the idea to fellow workers, relatives, and others who surround the individual. The problems of retirement, we have found, are mainly psychological in nature—questions of the individual's value, of his status in the eyes of the company and his fellow employees, and of what he will do with his time. In every case, such factors have been much more important than financial problems.

What results do we find in reviewing our retirement program? First, we have succeeded in retiring those employees whose physical condition and work performance indicated that they should be persuaded to retire. So far, we have not found one case that we could not "sell" if we obtained all the facts and considered them from every angle.

Second, we have had the immense satisfaction of seeing our older employees leave with the feeling that they have been treated in a fair and friendly manner.

Moreover, we have enlisted the approval and the continuing loyalty of their fellow employees.

Third, we do not believe that this program is costly in terms of efficiency. Of 58 employees over 65 now working at our main plant, six are reported by their supervisors to be performing above standard levels of accomplishment for their jobs, 27 others are performing at a normal level, and the remaining 25 are performing at a level lower than the norm. These 25 represent 1½ per cent of the employment group; their cases are currently under review.

Flexible retirement has enabled us to retain in our work force a considerable number of very valuable workers. Moreover, by dealing in this way with the retirement problem, we have improved the morale and security feelings of all our employees.

—From an address by WILBUR R. HANAWALT before The Institute of Management and Labor Relations, Rutgers University.

How Long Do Workers Stay in a Job?

THIRTEEN MILLION, or about one out of five of the 59,000,000 members of the nation's civilian work force in January, 1951, had been with the same employers since Pearl Harbor or before, according to the Bureau of Labor Statistics' analysis of material gathered by the Bureau of the Census.

Workers with long periods of service on jobs were concentrated, the Bureau finds, in four major occupational groups. These were, in order of importance: skilled workers (craftsmen and foremen), semi-skilled operatives, farmers and farm managers, and other proprietors and managerial personnel. White-collar work was the predominating field of concentration among women with jobs acquired before World War II.

In detail, the BLS breakdown was as follows:

	Men		*Women*	
	Number (millions)	*Per cent*	*Number (millions)*	*Per cent*
All workers employed in jobs acquired before World War II	10.6	100	2.4	100
Craftsmen, foremen, and kindred workers	2.2	21	*	2
Operatives and kindred workers	1.7	16	.5	19
Farmers and farm managers	1.8	17	*	3
Managers, officials, and proprietors, except farm	1.8	17	.2	9
Professional, technical, and kindred workers	.8	7	.4	15
Clerical and kindred workers	.7	7	.6	25
Sales workers	.4	4	.1	6
Service workers, including private household workers	.5	5	.4	15
Laborers, farm and non-farm	.7	6	.1	6

* Less than 100,000.

—*The Office* 11/52

Taking the Lie Out of "Liability"

HARD, COLD FACTS and figures back up the bid of the physically handicapped worker for an equal opportunity in the work of the nation. Findings of numerous studies and surveys provide overwhelming evidence that, when offered opportunity for work for which they are individually well equipped, handicapped people are an asset to the employer, rather than a liability. A two-year study by the U. S. Department of Labor and the Veterans Administration, based on industry's own records, compared the work experience of 11,000 handicapped workers with that of a matched group of 18,000 non-handicapped workers and found that the handicapped group:

1. *Came to work as regularly.* Days lost per 100 scheduled work days were 3.8 for handicapped and 3.4 for non-handicapped workers. Absentee rates were practically the same when the reasons for absence were considered.

2. *Had better safety records.* The frequency rate of disabling injuries per million exposure-hours was 8.9 for handicapped and 9.5 for non-handicapped workers. For non-disabling injuries the rates were the same for both—9.9.

3. *Had better production records.* Relative output was 101 for the handicapped and 100 for the non-handicapped. Of the handicapped group, 73 per cent produced at a rate as good as or better than their non-handicapped fellow-workers.

—Office of Defense Mobilization, Health Resources Advisory Committee

Getting Rid of "Red-Circle" Rates

COMPANIES that feel they must find some way of eliminating "red-circle" rates—rates in excess of the maximum for the established salary range, usually paid to old-timers—might consider adopting the practice of 11 firms surveyed by the Associated Industries of Cleveland, all of whom grant some form of seniority bonus.

Practices of the 11 companies vary greatly. One gives $1,000 for 25 years of service, another $500. At the other extreme, one company gives $5 for less than 5 years and adds $1 for each year over five.

The seniority bonus acts as company recognition of long and faithful service, yet it doesn't throw the basic wage structure into a tailspin. AIC doesn't recommend the practice, but suggests the companies apparently feel it's preferable to red-circle rates.

—Factory Management and Maintenance 2/53

Robot Vendors Invade Industry

A HORDE of mechanical salesmen now stand within industry's walls, making the employee "break" period more pleasant and partially eliminating the nuisance of in-plant feeding problems.

As fringe benefits for workers, the first vending machine in manufacturing plants sold candy, nuts, beverages, gum and cigarettes. Today, sandwiches, soup, coffee, hot chocolate, pastry, cookies, tea, and fruit machines are moving in. Over 50 per cent of the nation's 2.9 million vendors, excluding cigarette machines, are planted in industrial locations, and more machines than ever are going into factories.

The demand of industrial plants for coffee machines waxes strong. In 1950, only 4,450 of these machines were on location; today the number has climbed to 16,300. Last year machines sold 720 million cups of coffee. The number of ice cream vending machines has doubled in two years.

—Iron Age 2/19/53

Also Recommended . . .

MANAGEMENT'S NEW PROBLEM. *Business Week* (330 West 42 Street, New York 36, N. Y.), April 11, 1953. 25 cents. Cost—and—principle—have been industry's chief objections to guaranteed annual wage plans, and are responsible for management's tenacious resistance to this now-standard labor demand, this summary of the status of wage guarantees points out. Outlining the sources of pressure for this type of proposal, the article states that an economic environment making annual wages financially prohibitive will probably not last.

PRIVATE LIVES . . . CAN AN EMPLOYER REGULATE THE OFF-DUTY CONDUCT OF HIS WORKERS? By William Baade and Lawrence Stessin. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), March, 1953. An employee's conduct after hours is generally subject to discipline if it damages the company's reputation in the community or impairs its business prospects, the authors found in a study of arbitration decisions. The same rule has applied where an employee has been suspected of pro-Communist tendencies, although in such cases employers must exercise extreme caution. Even in strictly personal matters involving only the individual and the company, the odds favor a verdict in the employer's favor, the authors state.

PROSPERITY VERSUS STRIKES. By Theodore Levitt. *Industrial and Labor Relations Review* (Cornell University, Ithaca, N. Y.), January, 1953. Unlike many observers, Mr. Levitt believes that strikes are less likely to occur during times of prosperity than during depression. The strategic bargaining position of labor in an expanding economy is less significant, he argues, than the changed outlook, new needs, and increased obligations engendered by rising standards of living—which will incline the worker toward compromise rather than use of the strike weapon as a means of settling labor disputes.

COLLECTIVE BARGAINING—FREE OR FETTERED? By A. Howard Myers. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), May, 1953. Gratis. Examining current trends in industrial relations, Congressional proposals for limiting the area of union bargaining and participation in management responsibilities, and the machinery now available for reducing strikes and lockouts, the author favors voluntary self-regulation and the resolution of power struggles through collective bargaining. However, he believes that legislative restrictions on collective bargaining and union bargaining power will be enacted if labor fails to consider the broader social and economic effects of its conduct, and if the labor market remains tight.

WHAT WILL HAPPEN TO THE TAFT-HARTLEY ACT? By A. N. Wecksler. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), February, 1953. No major changes will be made in the Taft-Hartley Act by the new Congress, in the author's opinion, since union leadership found in the law an important political asset and because it has operated "with reasonable fairness and efficiency." The author predicts that the Act will, however, receive a thorough overhaul—to remedy a number of technical deficiencies and to eliminate any provisions which could be used for "union-busting" purposes.

HOW TO SET UP SYSTEMS DEPARTMENT. By Bruce L. Smyth. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), April, 1953. 35 cents. After management has decided how systems problems should be handled —by delegating them to various members of the managerial group, by hiring outside consultants, or by setting up a central systems department—it must lay out clear lines of authority, the author emphasizes. It must be established in advance, for example, whether the program should be "sold" to employees or imposed upon them by the authority of the systems department, and to what extent department heads, supervisors, and employees should be used in the development of new procedures.

INDUSTRIAL BANDS AND ORCHESTRAS. National Industrial Recreation Association (203 North Wabash Avenue, Chicago, Ill.), 1953. 32 pages. $1.00. A manual designed to supply necessary information on the organization, administration, and financing of an instrumental music group to companies that are considering the practicality of adding instrumental music to their recreation programs. Costs and other data are taken from the experience of more than 100 industrial firms having functioning employee bands and orchestras.

Office Management

THE HUMAN FACTOR IN OFFICE DESIGN

WHILE MOST of the major changes in office design and equipment which have taken place over the past two decades have been geared to increased mechanical efficiency and improved over-all appearance, the emphasis today—as a recent survey of office equipment manufacturers clearly indicates—is on adapting office design and equipment not only to the physical but to the *psychological* needs of the office worker.

As we all know, much of the work of our eight million office job holders is *not creative*. Office turnover, in many cases, reflects the need for a change—if not in work content, then in work environment. Moreover, people today are being encouraged—through advertising, consumer periodicals, and other media—to express their personalities in their homes, their clothes and in the things they buy. An office environment where desks are laid out in long rows like a bowling alley, with ivory walls, white ceilings, and all black or gray equipment, can hardly compete today with the variety and interest of the world outside.

Color and texture (in addition to good lighting, sound control and air conditioning) are important to office habitability. Work areas should have low-intensity (grayed) colors, because brighter colors stimulate and, with continued use, tire. The necessary variation in environment can be provided through skillful use of color in all painted areas *outside* the work centers—such as halls, stairways, cafeterias, and rest rooms—and in those areas of the work zone which are not in the operator's direct line of vision.

The use of texture is equally desirable, for there are too many hard, shiny surfaces in our modern offices. Greater use of textiles would help ease eyestrain, reduce noise, and individualize the office "personality."

One solution to the "self-expression" problem lies in the better design of "work stations" as a whole. In the course of the survey mentioned earlier, a number of the major equipment manufacturers indicated that they were applying the "work station" concept in the design of their equipment—that is, considering the operator's workplace as a single, coordinated unit rather than a center for miscellaneous, often ill-assorted, equipment.

Globe-Wernicke's "Techniplan" and Korda Industries "Kordaroom" are promising examples of the "desk station" approach to meet the needs of many clerical and executive jobs. These compact desk units, which may include their own glass partitions and thus serve as small "private offices," do save space, increase operational efficiency, and provide attractive, individualized work areas.

Another equipment manufacturer is concentrating on the problem of changeability in executive office decor. It was observed that executives, particularly if they have just changed jobs, frequently request a change in decor, with a new color scheme, new drapes, different side chairs, new pictures on the wall, etc. There are so many executive job changes

today, however, that redecorating has become an increasingly burdensome item of expense. Accordingly, this manufacturer is exploring *planned areas of change* with interchangeable units to meet this normal desire for new surroundings, but at considerably lower cost.

While it is always risky to make forecasts, the following, in the writer's opinion, are among the major trends that can be expected in office design:

1. More color will be used in offices. Since color trends run in cycles, it is safe to predict that the current use of gray for business machine equipment will not continue indefinitely. Current trends are toward cactus green and desert sand; low-keyed pastels will also come.

2. Streamlining as a style is past. Business machine styling will be *sculptured forms dictated by function.*

3. Chrome will be used less and less.

4. There will be an increased use of color coding to indicate operation and moving parts.

5. Equipment design will be geared increasingly to the psychological needs of the operator.

6. Office equipment used on desks—such as the telephone, dictating equipment, typewriters, etc.—will be more integrated with the environment. They cannot continue indefinitely to be sold as "packaged units." They will be adapted to the work station as a whole, through specialized furniture design, resulting in better appearance and improved operating efficiency.

—From an address by J. GORDON LIPPINCOTT before the Office Equipment Manufacturers Institute.

THE "GOOD OLD DAYS"—A FAR, FAR CRY

IN THE SO-CALLED "good old days" before office personnel enjoyed the benefits of air-conditioning, rest rooms, company cafeterias, central heating, and so on, seniority played a large part in determining the degree of comfort in which an office worker labored.

Many offices, for example, were heated by the traditional "pot-bellied stove," and seniority was the sole criterion for determining how close to it an employee could sit in wintertime.

Old-time employees had the choice spots near the stove. At the next row of desks were those with fewer years of service; the last clerk employed would be seated farthest from the stove, often be fully garbed in winter attire. Besides tending the fire during the day, the newest clerk had to stay behind to remove the ashes, fill the coal buckets, and bank the fire for the night.

The reverse was naturally true in the summer. The older employees would move over to the open windows, which were the only source of ventilation.

Office boys in those days were often required to keep the shoes of all senior employees polished, scrub the floors, and clean and empty the spittoons.

Office workers had to purchase their own pens, pencils, erasers, rubber bands, etc., out of their meager earnings. The company supplied only the ledgers and other paper necessary for the job. It was felt that office employees were no dif-

ferent from artisans, like carpenters and mechanics, who report on the job with their own tools.

Office employees who find causes for complaint today might do well to read the regulations laid down for clerks in a famous U. S. department store (John Wanamaker's) back in 1861:

"Stores must be opened at 6 a.m. and remain open until 9 p.m. the year around. The store must be swept, counters, base shelves and showcases dusted, lamps trimmed, filled and chimneys cleaned, pens made, doors and windows opened; a pail of water and a scuttle of coal must be brought in by each clerk before breakfast, if there is time to do so, and attend to customers who call.

"Store must not be open on the Sabbath day unless absolutely necessary, and then only for a few minutes. Any employee who is in the habit of smoking Spanish cigars, getting shaved at a barbershop, going to dances, and other places of amusement will most surely give his employer reason to be suspicious of his integrity and all-around honesty.

"Each employee must pay not less than five dollars per year to the church and must attend Sunday school each Sunday. Men employees are given one evening a week for courting purposes, and two if they go to prayer meeting regularly.

"After 14 hours of work in the store, the leisure time must be spent in reading good literature."

—R. O. Moore. *Business Management*, March, 1953, p. 5:3.

"I have some excellent references as file clerk in here *someplace*"

—Courtesy of *Collier's*

FOILING THE LIGHT-FINGERED

EVERY KIND OF WORK has its own peculiar temptations and its own special kind of transgression. Among unethical practitioners in the medical profession it is fee-splitting; in public service it is graft. As for white-collar pursuits, it has been estimated that U. S. employers lose more than $500,000,000 a year through the peculations of office workers.

According to C. S. Cooper, Fidelity Manager of the National Surety Corporation, there are several distinct areas where losses occur, and there are also common-sense precautions which can be taken in each area.

1. *Mail.* Incoming mail — which is often handled by a new clerk or a part-time worker—should be opened in the presence of a trusted employee, but not a bookkeeper or cashier. Split responsibility for handling money is an important precaution.

All mail should be date- and time-stamped whenever practicable. Incoming checks, drafts and other payments should be listed before being turned over to the cashier or bookkeeper, and a duplicate list should be kept by the mail clerk. Outgoing mail containing checks, vouchers or other valuable papers should be sealed under the eye of a supervisory employee.

2. *Payrolls.* Paying employees by check is no guarantee that the sticky-fingered can't filch from the payroll. For one thing, checks can be forged. Payroll padding, by adding fictitious names or failing to remove from the payroll the names of employees who have left the firm, is another favorite method.

The paymaster for a large food concern milked his company of $236,842.65 over a period of some fifteen years. All pay checks were countersigned with the comptroller's signature as well as the paymaster's, but the comptroller's signature was put on the checks with a counter-signature place, which was in the paymaster's keeping. Thus it was a simple matter for the paymaster to mark a time card "Vacation" when the employee to whom the card belonged was actually not on vacation at all. Then he would endorse the spurious vacation check and keep the money.

A good way to minimize payroll losses is to make sure that every step in preparing the payroll is checked independently by someone other than the person doing the work or in direct charge of it. Any additions to the payroll should be backed up by proper authorization concerning the new employee's name, job, rate of pay, etc., and all pay raises should be fully documented in the same way. Also, the clerk who prepares the payroll should not be responsible for distributing the money.

3. *Bank reconciliations.* Since delay in reconciling bank statements with cancelled checks and duplicate deposit slips can result in large losses through fraud or forgery, reconciliations should be supervised by someone in authority other than a cashier or a person having check-signing authority. Debits and credits should be carefully traced in and out of the bank account. Dates of deposits should be checked with the dates of payments received by the bank.

4. *Customers' accounts.* All customer accounts should be verified regularly by a competent and trusted bookkeeper. Company circumstances and trade require-

ments often limit the frequency of this kind of audit, but the more often it is made the less chance there is of substantial loss. A trial balance of customers' accounts should be made at least once a month.

Charge-offs of bad debts should be carefully analyzed to guard against the transfer of balances from other accounts. It is a good idea for the supervisor responsible for collections to talk personally with any customer having an outstanding balance that is long overdue.

All checks paid out should be countersigned and supporting vouchers required. This provides dual control over money paid out by check and helps prevent forgeries or alterations, as well as issuance of checks to fictitious people.

Inventory, petty cash, and other checkups should be unannounced and made at irregular intervals, so that a dishonest employee won't have time to cover up. The fact that nobody in a firm ever handles large sums doesn't mean a thing; most large losses have resulted from someone's stealing a little at a time over a period of several years.

Most of these suggestions, Mr. Cooper says, are in line with good normal business practice and common sense. But good business practice and common sense aren't always followed, and that's when losses occur.

—*Supervisor's Personnel Newsletter* (Bureau of Business Practice, New London, Conn.), May 11, 1953, p. 2:2.

White-Collar Blues

ARE MOST white-collar workers satisfied with their jobs? Far from it, say Clark University research psychologists, who made a wide-scale survey of workers in occupations ranging from the professional specialist to the lowliest ditch-digger. White-collar workers are the least satisfied of all major occupational groups, with less than 42 per cent regarding their jobs with any appreciable satisfaction. Overall findings for the entire sample showed that only about 60 per cent of the workers were satisfied with their jobs. The rest indicated that their work afforded them little satisfaction and scant opportunity for self-expression.

The vast majority of professional men and business executives were happy in their work, and found it both absorbing and rewarding. But the general attitude of the white-collar brigade of office workers was just the reverse. The manual workers—except for those on the lowest rungs of the ladder—were much happier in their jobs than the clerical workers.

Asked why they were dissatisfied with their work, almost 50 per cent felt they were round pegs in square holes. They said they didn't like the nature of the work, and felt it didn't jibe with their abilities.

Thirty-six per cent were discontented because of economic reasons. They felt they weren't being paid enough, or that opportunities for advancement were lacking.

—JOHN E. GIBSON in *This Week*.

TYPING TIME on invoices can be reduced by eliminating the decimal point and two ciphers (.00) in the extension columns. When preparing copy for the next printing of invoice forms, include a vertical line to separate the dollars and cents.

—*Office Executive* Vol. 27, No. 11

*California Gold Rush, 1953-Style**

WE COULD NOT help taking a bit of interest in a feature article on the current shortage of stenographers which recently appeared in *The Wall Street Journal.* The story, a nationwide-survey sort of thing, pointed out that top-flight secretaries are now making up to $10,000 a year—with plenty of $250-a-month jobs going vacant. Little extra benefits, it said, also have a tendency to become great big extras. One man was particularly concerned because he gives his stenographers "the moon with a fence around it" and they still leave too frequently for his liking. The situation was reported to be particularly bad in California, where a really efficient Girl Friday can just about command her own terms.

The article drew a flood of letters to the editor—some pro and a good many con—but the one we liked best read as follows:

> *Editor, The Wall Street Journal:*
>
> Your paper is read not only by myself but also by my secretary and other girls important to our office. Since the girls have read your article, "Shorthand Shortage," they feel certain that their present job is not too important, and they feel that droves of employers on the West Coast are waiting with open arms to receive them.
>
> We are always faced in Minneapolis with the problem of girls wanting to go to California, and your article has developed this feeling to even a greater degree.
>
> If your paper plans to publish a similar article before my subscription expires, mark your records so that a copy is not sent to our office, or cancel my present subscription.
>
> J. A. PRICE
>
> P.S.—Mr. Price has now signed the above letter, and I think your article is terrific! In fact, I have already bought my ticket to California!
>
> B. A. VOSS
> *(Former Secretary to Mr. Price)*
> *Minneapolis, Minn.*

* From *Business Management,* April, 1953.

A Desirable Gadget

AS WE CONTEMPLATE the numerous new gadgets to make office work easier that have been introduced during the past few years, a wistfulness creeps into our thoughts. Perhaps the future will bring us some of the gadgets we still hope to see invented.

First on the list is a device resembling the "Bell-ago" which was introduced on a radio comedy show some years ago. When one pressed the "Bell-ago" it rang a bell at the police station 10 minutes ago. This gadget was especially useful in preventing hold-ups; the cops sometimes got there before the robbers.

An adaptation of this device for the use of modern industry would work in another manner and might not be quite so difficult of attainment. What we have in mind is a device to make people do 10 days ago the things they should have done then but usually don't get around to doing until 10 days later.

How many "rush" requests would be avoided if the numerous unnecessary delays leading up to the request were avoided? How many emergencies are created by laxity in anticipating our needs? How much do we all pay out in premium

costs because our suppliers have to apply extra effort and overtime hours in expediting their deliveries to meet our extraordinary demands?

Certainly, a forethought-instiller and delay-eliminator would be a supremely useful tool for business. In a sense, systems and procedures people are working on a substitute for such a gadget right now—since any effective system pre-supposes that all factors affecting the ultimate result are given due forethought and consideration, and that unnecessary delays are eliminated.

—*Systems and Procedures Quarterly* 2/53

Also Recommended • • •

SO YOU'RE GOING TO LAY OUT AN OFFICE! By R. K. Gad, Jr. *The Office* (270 Madison Avenue, New York 16, N. Y.), May, 1953. Who gets what desk and where can set off touchy reactions in any office; consequently, the adept office planner must cope with human reactions and office precedent before proposing a new layout, the author has found. The physical items to be considered in any satisfactory arrangement are light, heat, ventilation, bare walls, columns, and proximity to restrooms and elevators. Above all, office layout must be related to work flow, the author advises.

TRY PRICING YOUR PAPERWORK. By M. F. Allsman. *The Office* (270 Madison Avenue, New York 16, N. Y.), May, 1953. Present paperwork controls are not accomplishing the utmost in reductions and improvements because they are overly complex and insufficiently pointed to enable top management to make logical decisions, the author believes. As a remedy, he recommends a relatively simple and inexpensive procedure for computing the complete costs of existing and proposed methods and systems.

THE ACCOUNTANT'S NATURAL ADVANTAGES IN DEVELOPING WORK SIMPLIFICATION PROGRAMS. By Kenneth H. Bergstrom. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), April, 1953. 75 cents. This article offers a guide to setting up an office system, from the basic psychological approach to details of how to judge collected facts, outline the plan, and gain management's acceptance. Special emphasis is given to the importance of encouraging clerical workers to contribute ideas as a means of stimulating enthusiasm for better procedures throughout the organization.

WORK SIMPLIFICATION PROGRAM SAVES 162,845 HOURS A YEAR. By Dwight G. Baird. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), May, 1953. 35 cents. A work simplification program begun four years ago at Ford Motor Company of Canada, Ltd., Windsor, Ontario, has increased morale and efficiency and has saved over $55,000 worth of materials a year. The article describes how office and manufacturing division personnel are trained and gives examples of the time- and money-saving effects of proposals submitted by 517 of the 1,177 office workers who have completed the course.

SO YOUR LEASE IS GOING TO RUN OUT. By J. Gordon Carr. *Management Methods* (141 East 44 Street, New York 17, N. Y.), May, 1953. 50 cents. Before you look for new office space, see what you can do with what you already have, an architect advises, citing the modernization program undertaken by an Ohio realtor as an example of how existing quarters can be used more effectively. Such modern developments as dry construction and movable wall partitions have eliminated much of the dust and dirt which formerly accompanied modernization, the author says.

FIRST, LET'S TEST THE TESTS. By Peter Arakelian. *Office Management and Equipment* (212 Fifth Avenue, New York 10, N. Y.), March, 1953. 25 cents. A thorough job analysis must precede the construction of tests, says the author, who stresses the advantages of those which reveal applicants' specific abilities as opposed to those which merely weed out undesirable individuals. An interesting test of the mental alertness of clerical workers, which proved to have a high degree of reliability at the New York University-Bellevue Medical Center, is described.

BUY YOUR WAY TO LOWER COSTS!

FROM 40 TO 75 cents of the national sales dollar goes for purchasing materials, components and services. The proportion, varying from company to company and industry to industry, averages around 50 cents. Considering that only from five to nine cents are available for profit after all charges, it is clear that efficient purchasing can spell the difference between red and black ink in financial statements. Consequently, it is not surprising that over the past two decades, purchasing has risen steadily in standing in the management team—especially in larger companies, where procurement has attained top administrative status.

In its broadest sense, the procurement function entails a complex chain of operations inside and outside the company. In arriving at buying decisions, amicable trade relations with scores of suppliers figure prominently. Equally important, purchasing must constantly counsel with engineering, production, operations, research, sales and other divisions within the company, if sound decisions are to be arrived at and cost-saving buying policies instituted.

Over the past 20 years, and especially since World War II, industrial purchasing departments have undergone a tremendous evolutionary change from "Buying Departments" to "Procurement-Inventory Control Departments." As a result, responsibilities of the purchasing department now involve such manifold activities, in addition to the purchase of materials and services, as the following: placing of contracts; expediting deliveries; supervising inventories; negotiating settlements and returning rejected materials to suppliers; disposing of surplus supplies; checking on subcontractors; auditing invoices; cost accounting; standardization; cooperating in product development; developing new sources of supply; obtaining priority assistance from governmental agencies; reviewing contracts issued by other departments in the interest of uniformity in contracting policies; promoting sound, amicable trade and public relations.

In addition, there are four major areas of purchasing activity which today present a special challenge to purchasing executives because of their broad-scale effects on future company operating costs and effectiveness.

Materials research. More and more the United States is heading toward "have-not" status in some critical raw materials, and if future acute shortages are to be averted, purchasers must look beyond the nation's borders in filling their increasingly pressing needs. Thus materials research must be pushed on a more extensive scale than heretofore. This relatively new concept in procurement requires intensive study of both short- and long-term supply-demand patterns and prospects, not only with regard to the supply positions of specific companies, but also as they affect the domestic and world supply-demand pictures.

Traffic. Freight bills bulk large in costs, and they are getting larger. In the last half dozen years or so there have been

at least five general increases in transportation charges. Obviously a lot of money can go down the drain unless purchasing maintains strict controls on traffic costs.

Value Analysis. This new concept in industrial purchasing involves close study of purchases of materials, components and services with a view to searching out alternate materials and methods for accomplishing the same end-results at lower cost.

Inventory Control. In inventory control, purchasers can find excellent opportunities for promoting cost-reducing policies. This is an especially fertile area for application of cost-saving ideas and methods, since carrying charges on inventory are now running as high as 20 per cent of the value of the material annually.

These and other so-called "auxiliary" activities of purchasing hold the key to lower operating costs and more efficient company operations. Further development of the purchasing function along these and related lines is thus an essential condition of its future growth and managerial status.

—*Steel,* May 25, 1953, p. 105:8.

Closed-Circuit Television—New Tool in Plant and Office

ELECTRONICS ENGINEERS are currently uncovering an impressive array of possibilities for the industrial use of what is called "closed-circuit" television, in which a television camera is linked to one or more receivers.

At present, the closed-circuit system is finding its widest use in industrial situations calling for highly efficient inspection and surveillance. Railroads, for example, have made use of TV in their yards. In the steam generation of electricity, closed-circuit TV permits boiler operation to be observed and kept safe to a degree hitherto impossible. Smoke control can be facilitated in many factories by a visual monitor that peers directly into furnaces inaccessible to the human eye. Wherever an industrial process is dangerous or inaccessible, or wherever one person can perform the inspection duties of several, closed-circuit reception has its place.

Actually, it is unlikely that industrial applications of television will long overshadow its growing commercial use. In one bank in this country, closed-circuit television connecting tellers with a nearby file clerk eliminates time-consuming searching of records by individual tellers. Instead, the records clerk simply flashes the desired record on the receiver of the person requesting it.

Other potential applications of the closed-circuit system that are likely to be undertaken in the near future are: time study, materials handling, office intercommunication, exhibits, meetings and demonstrations, and countless inspection processes that must be handled at long range.

—*The Biddle Survey* 4/14/53

SOME MEN have a peculiar ability to know and to learn; some men excel others by their ability to have and to earn; some excel in producing things, others in creating ideas. They need each other; one is helpless without the other. This world needs them all.

—WM. J. H. BOETCKER

WHERE TO CONCENTRATE PREVENTIVE MAINTENANCE

ALMOST ANYONE running a factory today would like to spend less on maintenance. How big a bite direct maintenance costs take out of the sales dollar is only too well known to most factory managements.

To meet today's need for lower maintenance costs and higher machine productivity, planned preventive maintenance is the obvious answer. In order, therefore, to maximize the future savings and added profits to be gained from a maintenance program, the kind and amount of planned preventive maintenance we do must be on a selective basis. This means planning and doing only those maintenance activities which bring the greatest return in terms of increased maintenance productivity. Such decisions must be based on a realistic evaluation of the potential savings or profits that may accrue from planned preventive maintenance in specific circumstances.

In identifying the facilities on which attention should be concentrated, here are some of the most important questions to be considered:

1. How great is the need for increased production? One of the most severe penalties for equipment failure is the loss of production of an important product. The importance of such losses, however, must be realistically evaluated in each situation. Where full production capacity is needed to meet customer commitments, the potential rewards for planned, preventive maintenance is great; in other circumstances, it may be of much less importance.

2. What are the possibilities for decreasing unit production cost? When increased machine productivity can be converted into increased profitable sales, unit costs can be lowered by selling a greater number of units to absorb fixed manufacturing costs.

On the other hand, if increased machine productivity results only in making (and selling) the same number of units in fewer machine hours, care should be taken to determine how realistic any savings might be. Some manpower may be made available because of the shortened production time required. Unless this extra manpower can be used productively, the savings are merely theoretical.

3. How important are interruption-free operations? Breakdowns can often mean failure to meet a specific order on time and may thus result in some form of customer dissatisfaction, unless normal finished inventories can take care of requirements during breakdown periods. Moreover, in many industrial processes, machine stoppages—though lasting only for a few minutes or even seconds—are detrimental to product quality.

4. What is the probable extent of damage to the equipment during normal operations? There is similarity between planned, preventive maintenance and insurance. Isolate the expensive damages and mark them as the ones to avoid.

5. What is the likelihood or frequency of facility trouble? Experience with equipment behavior is necessary to determine where trouble may occur and how often. This means collecting data on what happens to equipment and analyzing it in terms of what and where the important potential trouble spots are. Reviewing repair data as shown on regular maintenance work orders, as well as historical information on machine breakdowns, are two specific ways to help in determining how frequently trouble occurs and where.

6. How important is prolonging the life of the equipment? When a competitor starts using equipment that is better than yours, you must consider critically how much longer you can economically prolong the life of your own. In this sense, as your equipment becomes obsolete the benefits from prolonging its life rapidly diminish.

7. What is the danger to personnel of machine failure? In some cases, it is so important that it alone may outweigh many other factors. Where the danger to personnel is great in the event of equipment failure, high priority must be given to planned, preventive measures to avoid breakdowns.

—ROBERT P. NEUSCHEL. *Mill & Factory*, April, 1953, p. 86:4.

Evaluating the Safety Program

APPLYING the techniques of the inventory to a safety program can yield valuable results, if both tangibles and intangibles are listed and appraised and every activity is checked for faults and omissions. Here are a few of the things to check:

Physical conditions: (1) Work areas, aisles, and plant traffic; (2) light and ventilation; (3) machine guarding—transmission and point of operation; (4) electrical equipment—switches, power lines, etc.; (5) maintenance of equipment generally; (6) materials-handling methods and equipment; (7) housekeeping—storage, piling, aisle lines, paint, etc.; and (8) personal service facilities—washrooms, lockers, lunchrooms, parking, traffic hazards at plant entrance, etc.

Personal protection: (1) Stock room, methods of dispensing; (2) instruction of new employees in use of protective devices; and (3) facilities for maintenance.

Training aids: (1) Bulletin boards—appearance and condition; (2) posters on bulletins—coverage of subjects and length of time on boards; (3) training films, projection equipment, and meeting rooms; (4) literature from outside sources; and (5) the employee publication.

Occupational hygiene: (1) Full survey of existing hazards; (2) new processes and potential hazards; (3) presence of dusts, vapors, and odors; (4) exhaust ventilation equipment; and (5) medical and first-aid facilities and dispensary records.

—*National Safety News* 3/53

Cutting Down on Drafting Time

"A SUPERFLUOUS LINE is a waste of time" is the current slogan at General Electric Company, where some 5,000 draftsmen are being encouraged to strip the frills from their drawings. Streamlined industrial drafting is combating the shortage of skilled manpower, saving from 20 to 50 per cent of drawing time.

The program calls for simplifying delineation, eliminating non-essentials, and extensive use of freehand techniques. Extra views, elaboration, repetition, and conventional representation instead of use of symbols are discouraged on the grounds that production and manufacturing people aren't interested in fancy technique or beautiful execution. They want complete, concise, accurate information.

In one instance, a drawing which required 57 square feet of paper was replaced by one with less than four square feet without any loss of clarity or accuracy—and it took one-quarter of the time.

—*Modern Industry* 4/15/53

Also Recommended • • •

HOW YOU, TOO, CAN USE RADIOISOTOPES. By Norman Weissman. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), April, 1953. 50 cents. If you have problems in inspection, quality control, or chemical process control; if you make anything in continuous sheet; or if you want to keep your maintenance department up to date, radioisotopes can pay off for your company, the author says. He lists 28 ways radioisotopes can solve operating problems; discusses the basic safety, training, and production problems involved; and describes how 80 companies now are using radioactive materials.

THE BATTLE AGAINST DECAY. *Fortune* (9 Rockefeller Plaza, New York 20, N. Y.), February, 1953. This article describes a number of the new protective measures that are currently helping to reduce the annual $10-billion cost of deterioration of materials by enabling metals, wood, and textiles to withstand the natural forces that cause decay. It points out, however, that while industry is becoming increasingly alert to the deterioration that strikes directly at plant and production, it has shown less concern about equipping consumer products to resist decay.

ANALYZING TRAFFIC MANAGEMENT. By Herman Limberg. *Purchasing* (205 East 42 Street, New York 17, N. Y.), April, 1953. 50 cents. Recommending check lists as an aid in periodic internal audits of company practices, this article considers the major divisions of a purchasing department check list for conducting a traffic audit: organization, types of carriers, computation of rates, routing, incoming shipments, outgoing shipments, and handling. Questions which the analyst should consider under each category are listed, along with a specimen sheet from the check list form.

QUALITY COMPETITION. By Dwight G. Baird. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), April, 1953. During the 12 years the Allison Division of General Motors in Indianapolis has conducted monthly contests to encourage competition among its departments in housekeeping, efficiency, and other areas, absenteeism has been reduced 45 per cent, scrap losses have been cut 66 per cent, efficiency increases of over 45 per cent have been attained, and many improvements in housekeeping methods, observance of safety regulations, and morale have been noted, this article reports. The author explains how the competition is conducted and scored and how winning contestants are rewarded.

CATALOGUE YOUR INVENTORY AND SAVE. *Modern Industry* (232 Madison Avenue, New York 16, N. Y.), February 15, 1953. Ambiguous listings of inventory items and multiple records often result in delays, errors, and expense. This article tells how The Bullard Company, machine tool builders, eliminated this problem by giving each inventory item a single name, description, and number, and instituting a system of cross-references. Before-and-after photographs contrast the new system with the old.

A NEW FUEL WITH A BIG FUTURE. *Business Week* (330 West 42 Street, New York 26, N. Y.), March 14, 1953. Reprints 20c. A detailed report on the status of atomic power for industrial and home use, this article predicts that atomic-fired plants eventually will produce power about as cheaply as other fuels, but not for another five or 10 years. Among the promising possibilities which industry is anxious to investigate, according to this article, is a boiler fuel that will more than replace itself while burning.

MATERIALS HANDLING STANDARDS. By Russell A. Moody. *Steel* (Penton Building, Cleveland 13, Ohio), May 11, 1953. 50 cents. The head of the Office of Standardization of the Defense Supply Management Agency describes the difficulties encountered and the progress made to date by the armed forces in providing for interchangeability of materials-handling equipment. Standardization practices, adopted with the cooperation of private industry, have reduced procurement costs of fork trucks, pallet trucks, tractors, and cranes, he reports.

IT'S YOUR MONEY. *Production Engineering and Management* (Birmingham, Mich.), May, 1953. Gratis. Ten production executives discuss ways to evaluate and improve quality control in mass production, stressing the refinements needed in machine tools to produce quality parts with greater economy and the methods which can be used to rework rejects.

Marketing Management

SALES SUPERVISION—THE FORGOTTEN FUNCTION?

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INTERVIEWS with marketing people throughout the country indicate that sales executives are alert to new advances in the more technical areas of sales management. On the debit side of the ledger, however, is much evidence that suggests that sales supervision—particularly the personal supervision of outside salesmen —is rapidly becoming a forgotten function.

This conclusion is based on extensive research in the field, including correspondence with some 600 sales executives, consultants, psychologists, and other specialists in related areas; personal interviews with an additional 400 sales executives and salesmen; and 400 replies received from sales executives in a formal survey conducted in cooperation with the National Sales Executives, Inc., and the Ohio State University Bureau of Business Research. In addition, opinion surveys sampled the views of some 450 outside salesmen.

WHAT'S WRONG WITH SUPERVISION?

Over 80 per cent of the salesmen surveyed stated that more personal supervision would increase their selling effectiveness. A repeated comment was: "My sales manager is super as a salesman, but only mediocre as a manager of men." Numerous salesmen complained: "We lose more sales because of the attitude of our sales manager than we ever do through the activities of our competitors or the sales resistance of customers."

In the NSE survey, it was found that salesmen's call reports were the only tool of supervision used by more than one-third of the sales organizations. Job analysis was used by less than 27 per cent of these organizations. Other important tools—such as time and duty analyses, exit interviews, employment contracts, and periodic physical examinations—were used by less than 10 per cent of the sales organizations to improve supervision of salesmen. One-third of the sales organizations contacted their men in the field less often than every six months. Forty-five per cent of the sales executives reported giving less than six hours' help per month per man.

Some effects of this inadequate supervision can be gauged from the NSE survey, in which sales executives reported these six shortcomings among salesmen:

(1) Failure properly to utilize time worked; (2) failure to plan sales effort; (3) failure to put in enough selling time; (4) use of improper selling methods; (5) lack of product knowledge; (6) neglect of potential customers. To a great extent, these weaknesses can be attributed to the lack of emphasis on supervision.

WHY IS SUPERVISION NEGLECTED?

Surveys findings uncovered a number of attitudes and practices which account

in some measure for the neglect of this important function:

1. Many sales managers felt there was no need for supervision if salesmen were carefully selected and trained. While good selection and initial training reduce the amount of supervision needed, some continuing supervision is a necessity for all salesmen.

2. Other sales executives believed it was virtually impossible to supervise salesmen directly. Granted, it is a more difficult job than the supervision of office employees and factory workers under one roof, but top management is often responsible for poor supervision by regarding the task as an inordinately difficult one.

3. A sales manager is expected to handle effectively as many as 40 salesmen scattered over a wide area, often doing very different jobs and faced with quite different problems. In addition, these same sales executives may be required to spend from 50 to 90 per cent of their time selling or performing, or at least coordinating, such functions as advertising, credit, market research, or accounting.

4. Good pay will do much to spur top sales performance, but money alone will not motivate the salesman to do a continuous, outstanding sales job.

5. A larger number of sales executives pin their faith wholly on mass methods of supervision such as conventions, contests, and sales bulletins.

ESSENTIALS OF A SOUND PROGRAM

Supervision is the function of establishing and maintaining the proper, continuous, working relationship between the salesman and his superior or superiors. In building a program for supervising outside salesmen, there are three major areas to be considered: (1) Administrative top-level planning; (2) organizing for supervision; (3) day-to-day supervising.

I. TOP-LEVEL PLANNING

A good supervisory program doesn't just happen. It must emanate from the top. The first step is to prepare a job analysis for each type of salesman in your company. Next, salesmen must be told not only what to do but also how much is to be done. This involves setting standards of performance. The NSE report showed that 80 per cent of the companies surveyed evaluate the performance of salesmen by the sole standard of sales volume.

II. ORGANIZING FOR SUPERVISION

The second area of a supervisory program involves organizing for supervision. Sufficient time must be set aside by sales executives to be sure salesmen are frequently contacted in the field, that help is given in personal office conferences, and—where such contact is not feasible—that a satisfactory working relationship with salesmen is maintained via personal correspondence, telephone, and telegraph.

III. A CONTINUING PROGRAM OF SUPERVISION

The third stage of the program—the actual supervising of outside salesmen—may be divided into four phases: continued training, control, motivation, and communication.

Continued Training

Between 40 and 50 per cent of the salesmen surveyed felt that their supervisors did not give them enough continued training. A constant de-training process goes on in every salesman. Products and selling conditions are constantly changing. As a salesman becomes more experienced, his continuing training must be more and more individualized. Too many sales

managers put their time in on the losers instead of the winners. Take a lesson from baseball managers and football coaches. The top salesmen may be the ones with the greatest capacity for improvement.

Personalized Control

The second phase of personal supervision is to provide adequate sales control. This phase should include both preliminary and follow-up controls.

Preliminary Control: The first step is routine planning. The sales manager should sit down periodically with each salesman and decide what customers he should call on and what prospects should be developed. Frequently, an analysis will disclose that a salesman is spending as much as 80 per cent of his time on customers who produce less than 10 to 20 per cent of his business.

The second step is to schedule each salesman's efforts—where he will go each day, each week, or each month—depending upon individual needs. Decide how often each account is worth contacting.

The third step is preparation. Prepare a check list of routine details a salesman should take care of before going on the road so that he doesn't take his time and that of your office staff writing back for materials he should have with him.

The fourth preliminary control step is order-giving. Be sure the salesman knows specifically what to do, by means of a job analysis.

Follow-up Control: The next four steps are phases of follow-up control.

1. Observe and check salesmen's performances in the field. Travel with your salesmen, observe their performance, and remember that your role should be that of a super-teacher—not a super-salesman—while in a territory with a man.
2. Record information about a salesman's performance from sales reports and accounting records.
3. Evaluate a salesman's performance, both quantitatively and qualitatively.
4. Help the salesman through corrective action that is both positive and constructive.

Motivation

The next major phase of a comprehensive supervisory program is motivation—the major ingredient of super-sales performance. There are four levels of long-term motivation: the level of self-interest, the level of mediocrity, the level of aspiration, and the level of commitment.

Motivation should not be confused with the fostering of an over-aggressive attitude. The mild, quiet, confident type of motivation is often the most effective. Neither should it be mainly a "shot in the arm." The developmental type of motivation will build sales by building men. Organization structure and controls can establish a working relationship between salesmen and their superiors, but unless a man's attitude is taken into account this relationship may be purely mechanical.

1. *Self-Interest.* This level might be characterized as one in which there is an absence of motivation. Sales executives at this level make little or no effort to develop their manpower. Their philosophy is: "We don't want a man who isn't capable of self-discipline, self-training, and self-energizing." In such companies, the records show a continuous cycle of hiring and firing salesmen.

2. *Mediocrity.* When considerations are given to the group demands of salesmen, the mediocre level of motivation is being approached. At this level, the salesman is told what to do and over a period of time does just that and no more. In

return for some assurance of job security, the salesman becomes a "Charlie McCarthy" as long as management pulls the strings.

3. *Aspiration*. Manpower development really starts at this level. The salesman can gain prestige through the provision of money incentives, but money alone will not always buy the prestige some salesmen desire, nor help the salesman to identify his interests with those of his company. A title such as sales engineer, territory manager, or merchandise advisor may help. More frequently, however, a desire must be created within a salesman for a higher standard of living, which can be maintained through better performance.

Praise is another important factor. Recognition should be given a salesman for outstanding performance—when he overcomes a difficulty connected with his job or his personality, or sells a hard-to-get account.

Salesmen also want the authority to make decisions. Sales executives realize increasingly that each salesman can be developed to make decisions through personal office conferences.

Opportunity should be provided for your salesmen. Between 30 and 75 per cent of the salesmen surveyed reported that they did not feel their opportunities were good in their present jobs. Providing opportunity does not mean that every salesman must feel that he has a chance to be an executive. But qualified personnel must feel they are given consideration when openings occur, that there is no ceiling on their earnings, and that they have assignments which are a challenge and which will bring attention to them.

4. *Commitment*. At the highest level of motivation, a salesman is committed to the company. A salesman must feel that his company is a top-flight one in its field or he will not produce at his peak level. The fact that company policies seem fair, practical, and sound in the view of the sales executive doesn't mean the salesman will always feel they are. He has a right to be fully and continually indoctrinated in the company viewpoint. This effort is worthwhile, for a loyal salesman will fight hardest when the going gets rough.

Further, a salesman must be committed to selling as an occupation. Too many men take jobs in sales as a "stop-gap" until something else comes along—which may cover an indefinite period. For example, 23 to 50 per cent of the salesmen reported that they would be seriously interested in some job other than selling. Thus it appears that salesmen must be continually sold on selling as a way of life.

Salesmen must be committed to the product or service they sell. A salesman doesn't have to feel he is selling the highest quality product, but he must be convinced his product has distinct advantages over competitors and is a really good buy.

The totally committed salesman is also committed to his supervisors. Salesmen will quickly lose confidence in their superiors if they fail to treat their men fairly, exert undue pressure, adopt a negative, fault-finding attitude, or fail to deliver on their promises. A sales supervisor's effectiveness depends upon the example he himself sets. The model supervisor cuts the die for every man under him.

Communication

Communication coordinates the three activities of continued training, control,

and motivation. Today's sales executives must maintain a five-channel, two-way communications switchboard linking the sales force to top management, and with other line and staff executives inside the organization, with other executives and trade associations, with competitors and their activities, and with the buyers of his products.

SUMMARY

The personal supervision of salesmen has become a forgotten function in too many organizations. As a result, sales performance in these companies is falling far short of its potential. It can be realized only by salesmen who are fully motivated—provided with job security, satisfactory working conditions, and opportunity; who are committed to their company; who have high regard for the products sold; who believe in selling as a way of life; and who have confidence in their superiors. Such salesmen are the product of continuing, individualized training, personalized control, humanized motivation, and effective communication.

A Checklist of Good Catalog Design

TO MEET the product information needs of buyers, any catalog must, of course, answer the typical questions the buyer has in mind when he considers a product. A well-designed catalog, though, will often go further, since the product may well possess certain desirable features, previously unknown to the buyer, that could be decisive in swinging the order.

Other important considerations of good catalog design are included in the following checklist:

1. *Front cover:* Does it quickly identify product and manufacturer? Does it tell at a glance what the catalog is all about?
2. *Index:* If the catalog covers various products, are they easily found? Does the index help the user find his way easily through the catalog? Does it clearly show the catalog's organization?
3. *Organization:* Is the catalog in clearly defined sections and visual units of product information, arranged for maximum utility to the user? Do various types of information appear in the most logical sequence?
4. *Visual flow:* Do the visual techniques employed (pictures, color, charts, diagrams, shapes, etc., are preferable to wordy texts) promote easy visual flow in and out of each visual unit and through the catalog?
5. *Content:* Is the information so developed that it promotes product selection? Does it facilitate comparison and promote the intended buying action—i.e., ordering, specifying or inviting a sales representative to call?
6. *Back cover:* Does it suggest the next buying step by directing the user to sales offices, branches, representatives, or your company's special services?

—*Sweet's Catalog Service* (119 West 40 Street, New York, N. Y.)

THE ROLE of the "opinion broker" occurs in about 20 per cent of the people in all strata of society, according to a study of 800 women in a midwest town, conducted by Macfadden Publications Inc. to determine how buying decisions are made on food, clothes, cosmetics, and movies. In most small purchases, personal influence was discovered to be considerably more potent than advertising.

—*Tide* 1/9/53

ARE SALESMEN MADE OR BORN?

SALESMEN ARE not made *or* born; they are made *and* born. If a salesman candidate has the personality and basic abilities needed for success in salesmanship, he may be taught the skills required for successful handling of a sales situation. That is the most basic conclusion which has emerged from a five year study of sales-training effectiveness just completed by the author.

A major purpose of the study was to discover the effect of intensive sales-training experience on the measured abilities and personality characteristics of salesmen candidates with no experience in salesmanship before the beginning of the study, who underwent an intensive 450-hour sales-training program prior to the end of the study.

A control group utilized in the study was composed of successful salesmen who had been in the sales field a minimum of two years and were earning a minimum of $4,000 to $5,000 a year. These successful salesmen got a battery of tests measuring general ability or intelligence, social intelligence, interests, personality, values, and attitudes. They also took a standardized sales-performance test designed to measure sales approach, approach to buying motives and objections, presentation, and the close. The salesman candidates took both groups of tests before training and again after training, and their performance before and after the course was compared with the scores of the successful salesmen.

Before training, salesman candidates did not differ from successful salesmen on the first group of tests, nor did they differ after training from the successful salesmen except on one scale of the value inventory, the aesthetic scale. They did less well than successful salesmen on the standard sales performance test before training; after training, however, they did *better* than successful salesmen on the same test. Furthermore, it was shown that a typical pattern of abilities and personality characteristics does exist for successful salesmen and for salesman-candidates alike.

The following general conclusions of significance to sales managers can, I believe, be drawn from the study:

1. Sales training has beneficial results, but the emphasis in a sales-training program should be on how to handle a sale, on the skills of selling, and on knowledge of product and company, rather than on changing the basic abilities and personality characteristics of the trainees.

2. A standard sales performance test measuring such basic factors as approach, presentation, approach to buying motives and objections, and the close, is helpful in selecting salesmen.

3. In selecting salesmen the sales manager should look for a typical pattern of abilities and personality characteristics. This pattern can be measured.

4. Salesmen candidates may be taught how to handle a sales situation successfully in a relatively short period of time if they have the typical pattern of abilities and personality characteristics.

5. Previous experience in salesmanship need not be a prerequisite for employment—if a company has a sales-training program which all newcomers must take, and if this program puts emphasis on how to sell.

—VICTOR W. EIMICKE. *Printers' Ink*, Vol. 242, No. 9, p. 78:3.

EXPENSE-ACCOUNT ARISTOCRATS

IN NEW YORK, Chicago, and many smaller cities, well over half the customers in the best hotels, night clubs, and restaurants are currently charging the bill as an expense item to their companies, which in turn are charging it to the government in the form of tax deductions.

There is really nothing strange about this state of affairs. To a company which pays the current 52 per cent corporate-income tax, plus an additional 30 per cent under the excess-profits tax, as many have been doing, $1 spent on entertainment saves 82 cents in taxes and costs only 18 cents in real money. At the same time, an expense account is a windfall to the employee.

The expense account itself is nothing new. Jokes about the "swindle sheet" are legendary. One of the most famous concerns author Gene Fowler, who as a New York newspaperman was once sent to northern Canada to find some lost aviators, and in the process spent $3,000. Back in his office, hard put to account for it all, he invented the purchase of a mythical dog team, then the mythical illness of a dog requiring costly medical care, and finally the death and funeral of the dog. Finding himself still short, Fowler finally made up the difference with the item: "Flowers for bereft bitch, $60."

Such legends contain a core of truth. Any big-time salesman, advertising man or press agent operating on an expense account soon develops a kind of sixth sense for what the traffic will bear. Records of this sort are hard to keep anyway; so he approximates what he has spent on company business and adds whatever else he thinks he can get away with. As one cynical executive has said: "Our men give their talent to the company and their genius to their expense accounts."

What the smaller operators can do by indirection, the boss of the firm can do without any beating around the bush. In fact, the expense account is a recognized way of rewarding executives who have little enough incentive to reach the top, considering what the income tax does to executive salaries nowadays.

While the boss actually profits from the expense account and probably deserves it, the lesser members of the expense-account society usually find it a dubious blessing. Although they get their lunches, dinners, shows and hangovers free, many discover that, no matter how artfully they pad their monthly statements, the company gets the best of the deal.

"It's like this," said one salesman. "We work right through the lunch hour, making our 'contacts.' At 5:30 the business day is often just starting: we take a customer to cocktails, probably also to dinner, as likely as not to a show we've already seen a couple of times. Even on the week-end we work for the company, at a party we throw at the house. By giving me an expense account, the company gets me to work 70 hours a week."

There is an even greater irony: Of all the badly busted members of the middle class, the expense-account boys are often the flattest of all. Most of the men on expense accounts begin spending too much on clothes. If they are called upon to do much entertaining at home they also spend too much for their houses, their furniture and their wives' clothes. One

highly-paid New Yorker says, "Just to hold my present job—buy the clothes and keep up the right kind of house—I'm going in the hole by $2,000 a year. If my wife weren't working and in a position to supply the $2,000, I'd have to quit."

Does all this conspicuous spending accomplish anything? Many take for granted that it does. On the other hand, a lot of companies worry about the psychological effect of entertainment spending. How far can they go without seeming vulgarly ostentatious? At what point do their customers start deserting them out of sympathy for the little fellow who must be more careful with his money?

Some business men think that the age of the expense account is as much a matter of prosperity as of peculiar taxes. "Sure it makes it easier when you can pay out the money with 18-cent dollars," one of them says. "But business has been booming and expanding for so long that nobody really gives a damn about money any more. In the '30's no company would spend a penny on anything that wasn't of absolutely 100 per cent proven use. Nowadays, we won't turn down anything that isn't absolutely 100 per cent proven useless. But give us six months of business recession and an awful lot of people are going to have to start buying their own drinks and meals again."

—*Life*, March 9, 1953.

Is Your Advertising Believable?

MORE THAN 13,000 consumer interviews in the home have convinced researchers of The Pulse, Inc., that any national advertising that receives as much as 50 per cent belief is doing well. This suggests that any advertiser can get a much longer run for his advertising investment if he makes his copy more believable.

There is very little variation between high-, medium-, and low-income families in the predominant suspicion of advertising as "just advertising talk." Middle-aged people believe advertising slightly more than younger or older people, and men tend to believe a little more in advertising than women. The margin of difference is slight, and it varies with products.

Families in higher-income circles show amused boredom over unbelievable advertising. Lower-income families tend to be bitter.

Newspaper, radio and television reviewers and columnists are making people acutely conscious of the deficiencies of commercials.

—ROBERT COLLINS in *Printers' Ink* 4/3/53

Standard-of-Living Note: Radios vs. Baths

HIDDEN in the 1950 census are surprising figures on the use of American household facilities in 1940 and 1950. In 1940, of 34 million occupied dwellings, 2.5 per cent had no toilet facilities, 38.4 per cent had no bath or shower, 27.4 per cent had no refrigeration, 17.2 per cent no radio and 21.3 per cent no electric lighting. By 1950, of 42.5 million occupied dwellings, 1.6 per cent had no toilet facilities, 25.7 per cent no bath or shower, 8.7 per cent no refrigeration, 4.4 per cent no radio and 6 per cent no electric lighting.

Isn't it odd that as recently as 1950 nearly 11 million American homes were without bathtub or shower, whereas less than 2 million lacked radios and only 2.6 million were without electric lights?

—*Steel* 5/11/53

Also Recommended • • •

IS RECIPROCAL BUYING AND SELLING GOOD BUSINESS? By W. H. Conant. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), May, 1953. 35 cents. The business policy of requiring sellers to buy from their customers strikes at the base of competitive enterprise, places a handicap on procurement, engineering, production, and sales, and has an adverse effect on the public's opinion of business, says the author. Accompanying the article are statements from six business leaders who regard reciprocity as shortsighted and destructive—and from four others who believe it is acceptable under certain conditions.

HOW TO MAKE YOUR TRADE-MARK TELL THE SYMBOL TRUTH. By Karl Bernhard. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), Vol. 242, No. 9. 25 cents. A good advertising symbol must "stand up and talk loud," by being visually unique and eye-catching and by instantly bringing to mind a complex series of associations about the product, the author says. He describes how many successful symbols have been built around brand names—Camels, Quaker Oats, or Shell Oil, for example—or have been suggested by the product itself, as in the case of the Heinz pickle.

WHY PRICE IS 10TH IN BUYER PREFERENCES. By David Markstein. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), February 15, 1953. The reliability of the salesman and his recommendations for the best buy, in terms of both quality and price, are more significant to a purchaser than the offer of discounts, the author found in interviews with four professional buyers. Other factors which precede price as a determinant of the buyer's interest in a particular supplier include the helpfulness of the salesman, pre-selling of the line by the manufacturer, and the availability of local branches with which the purchaser can deal.

SELF-SERVICE REACHES THE DRUGSTORE. *Business Week* (330 West 42 Street, New York 36, N. Y.), March 7, 1953. 25 cents. Increased sales and lower operating expenses are helping to convince the average drugstore owner, who has had many doubts about self-service, that he should follow the trend set in the grocery field, this article reports. It discusses several studies of the extent of the trend and its effects (spurring druggists to widen their lines and to redesign their packages, for example), and reports that because of resale price maintenance, small stores with self-service are holding their own—in fact, are showing a better profit ratio than the large ones.

SOLICIT YOUR DISTRIBUTORS' VIEWS OF YOURSELF! By Louis H. Brendel. *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), February 1, 1953. 50 cents. By supplanting guesswork about problems involving sales through distributors with a "blind" mail survey, which brought a 60 per cent return, a manufacturer of "widgets" discovered that half his distributors rated his salesmen's performance poorly, and thus was able to take corrective action, the author reports. Surveys of retail dealers are also sometimes advantageous, the author says, to help chart the course to follow with distributors.

MARKETING RESEARCH—MILESTONE OR MILLSTONE? By John E. Jeuck. *The Journal of Marketing* (1525 East 53rd Street, Chicago 15, Ill.), April, 1953. Most significant changes in industrial products, methods, and institutions have evolved from the imagination, vigorous administration, and ingenious selling methods of creative top managements, not from market research surveys as they are currently conducted, states the author. The future of market research as a contributor to economic progress will rest upon its ability to increase our knowledge of the nature of competition, by closer attention to past market conditions, problems, and decisions; and to the methods and principles of such other disciplines as economics and psychology, he believes.

TOP EXECUTIVES TELL HOW TO USE SOCIAL SCIENCES IN ADVERTISING. By Harold E. Green. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), Vol. 242, No. 9. 25 cents. Advertising executives and marketing men realize that the social sciences offer a rich source of information about human motivation which can be blended with business knowledge of customers and markets, interviews presented in this article reveal. But they urge caution in evaluating research results. Among the criticisms: Over-emphasis on Freudian interpretations of behavior can render psychological research meaningless and useless to the advertising man.

EMPLOYEE SAVINGS AND THRIFT PLANS COME OF AGE

ORIGINALLY CONFINED to the petroleum industry, savings and thrift plans have lately been attracting considerable interest among companies in a wide range of industrial categories.

Two main reasons for this increased interest seem to be: (1) the desire to supplement retirement benefits which increased living costs may make inadequate, and (2) to permit employees to share in ownership of the company.

Most plans today cover all employees but often require participation in the pension plan. As this type of plan spreads to other industries, more restricted groups may be included, e.g., salaried employees with two or three years of service who have reached age 30 or 35.

Usually, the employer's contribution is relatively modest, generally amounting to 50 per cent of the employee's contribution. Typical plans permit all employees to contribute up to 5 per cent of compensation, with the employer contributing half of that amount. There are many variations, however. One plan matches up to 10 per cent of an employee's remuneration after he has been a participant for a number of years. Another plan now in operation provides that the employer contribute 50 per cent of the employee's 5 per cent when he is first eligible to participate in the plan, matching 100 per cent of contribution after he has had credited service of five years. Some plans impose a maximum compensation on which contributions may be made, while others permit a contribution on full compensation, regardless of amount.

All plans provide that in the event of death, an employee's full interest, including the employer's share, shall be paid to a designated beneficiary, or to the deceased's estate. In the event of retirement, the full share is also paid to the employee. Generally, there is a short vesting period in the event of termination of employment. Forfeitures frequently remain in the fund to increase the share of the participants who continue under the plan.

Most new plans permit withdrawals of the employee's and the company funds after a period of participation of three to five years. Usually a penalty is imposed which prevents an employee from participating in the plan for six to 12 months. A few plans prohibit withdrawals. One older plan permits an employee to borrow up to the full extent of his and company interest.

Possibly half the new plans give the employee a choice of investments, such as company stocks, U. S. Government bonds, and mutual funds. A few require that employee contributions be limited to Government bonds and employer contributions to company stock. Others are restricted to a diversified fund, consisting of stocks and bonds similar to a common trust fund.

Many plans give the participants the option to vote their stock and, if not exercised, the trustee may vote such stock. One gives an option to the employee, but if the option is not exercised, the stock is not voted at all. Other plans give the employees no right to vote the stock.

If the trust is approved by the Commissioner of Internal Revenue and qualifies under Section 165 (a), the funds contributed by the employer are deductible as an operating expense for tax purposes.

The income of the trust is tax exempt. If the funds are paid out in a lump sum as a result of separation of service (death, termination of employment or retirement) the funds in excess of the participant's contribution paid out to him or the beneficiaries will be taxed as a long-term capital gain. If the stock of the company is distributed, the average cost of the securities to the trust is subject to a long-term capital gain tax, except that any appreciation in the stock is not subject to any tax until the stock is sold by the participant.

Upon a complete withdrawal while still in the service of the company, the excess of the fair market value of the assets withdrawn over and above the employee's allotments will be subject to ordinary income tax.

—*The Hanover Pension Bulletin* (The Hanover Bank, New York), May, 1953, p. 1:2.

HOW WRONG CAN ECONOMISTS BE?

"ECONOMISTS HAVE NOT YET evolved, if they ever will, a technique for making dependable forecasts." The words are those of Arthur F. Burns, whom President Eisenhower has named as his economic adviser. And, alas, they are all too true.

The present imperfect state of this particular skill has been amply demonstrated by its record since 1945. The most-publicized forecast of the period could hardly have been less correct—the prediction of eight million unemployed after VJ-Day by the Office of War Mobilization and Reconversion, of which Robert R. Nathan was deputy director and economist.

Since mid-1946 the writer has recorded forecasts by about 50 economists associated with corporations, banks, investment firms, labor unions, government, and universities and research organizations by means of semi-annual questionnaires. *Out of twelve forecasts the economists' consensus could be graded "right" only four times.*

When the first questionnaire was sent out in June, 1946, reconversion was well under way, business was booming, and the stock market was climbing to a new high. The respondents were unanimously bullish. As a group, they forecast an 8 per cent rise in industrial production. That forecast was on the button. But they didn't stick with it.

In September, the stock market broke badly. And in November, when the next poll was taken, the economists who had been unanimously bullish in May were almost unanimously bearish. Yet business was still rising, as they had predicted.

Throughout 1947 the forecasters waited for the decline the stock market supposedly signaled. When it didn't come, they began to waver. By the end of 1948 they were predicting that business would remain on its current plateau. Actually, the 1949 downswing was on its way. As that downswing progressed, the economists began revising their judgments. They were most pessimistic in May, 1949,

just when business was bracing for a second-half upturn.

Business economists during the postwar period tended to be more pessimistic and "conservative" than economists as a whole. This had a fairly logical basis. During a boom, a business economist's bread is buttered on the side of caution. If he's over-optimistic and wrong, his company's warehouses will be bulging with high-priced inventories when prices drop. The company will lose money and he may lose his job. On the other hand, if business turns out to be good, the boss probably will be too preoccupied with unexpected profits to fire anybody.

Economists of banks also seem to have a conservative bias. Bankers are creditors. Their capital is in dollars, their assets are repayable in dollars. They don't have inventories as an inflation hedge. When prices rise, bankers' assets have a lower purchasing power. When prices fall, their purchasing power increases. The wish—the desire for disinflation—is often father to the forecast. By the same token, economists for investment and brokerage firms seems to be occupationally optimistic.

Government economists have generally displayed a strong political bias. In 1949, for example, when President Truman wanted stand-by price controls, it would have been impolitic for Mr. Keyserling to forecast a drop in prices or business. Government economists have a distinct planning bias, too. They rely on the President's budget predictions or put faith in official Army and Navy procurement schedules—estimates to which they have often been parties.

Economists of labor unions usually show an inflationary bias. This is no doubt related to collective bargaining techniques in the postwar period, when the rising cost of living was a major argument for wage boosts.

All this has led me to a psychoanalytical definition of forecasting: "The projection of one's hopes and fears." Having projected his hopes or fears, the forecaster marshals all the evidence to support his forecast and rejects evidence opposing it.

Seemingly a successful and striking forecast can be made only when the forecaster differs from most other forecasters. If he sees something that most people don't and if events beyond his ken don't interfere with his prediction, then he may make a ten-strike. But the odds are two to one against it.

—J. A. LIVINGSTON. *The Reporter*, May 26, 1953, p. 18:2.

A Survey of Accounts Receivable

ACCOUNTS RECEIVABLE generally were in better condition at the close of business on February 28, 1953 than at the end of November, 1952 and were, in most cases, returning to the status reported in February, 1952, according to a survey just announced by the Credit Research Foundation of the National Association of Credit Men. The number of accounts discounting or paying when due has increased and the average age of all accounts has decreased, the survey indicates.

The percentage of all accounts discounting or paying when due, regardless of industry, for February, 1953 as compared with a year before was as follows: retail accounts, from 83 to 82.9 per cent; wholesale-jobber distributor accounts, from 85.7 to 86.4 per cent; manufacturing-industrial accounts, from 88.7 to 86.3.

YOUR COMPENSATION CLAIMS ARE WORTH WATCHING

EMPLOYERS may achieve real tax savings by carefully watching every unemployment compensation claim, it is reported in a Commerce Clearing House review of unemployment compensation laws. Since taxes are paid on an "experience rating" scale, it is the employer's duty to plan a company campaign to keep such taxes at a minimum; a single benefit payment to an ineligible claimant can cost hundreds of dollars in taxes for several years.

A mere 0.2 per cent increase in the tax rate, which in many states can result from a single benefit payment to one ex-employee, could cost the employer with a $300,000 annual payroll $600 in one year. One national organization, which has established a department to watch such claims, estimates that it has saved more than $500,000 in taxes by its close investigation of all claims for compensation by its ex-employees.

Though most workers, when laid off, will not misrepresent the facts, there is a natural tendency for a claimant to weight the facts in his or her favor. Ignorance of the law, not fraudulent intent, may also result in claims that do not comply with the letter and spirit of the law. This is especially true for organizations operating in several states, for unemployment compensation is controlled by laws of 51 jurisdictions, many of them widely different.

How a favorable experience rating can effect savings is explained as follows: The federal tax rate is 3 per cent on payrolls. Taxes paid to the states up to 90 per cent of the federal tax can be credited against it. The standard state rate is 90 per cent of the federal rate, or 2.7 per cent, so that the entire amount paid to a state may be credited against the federal tax.

The Federal Government allows an additional credit for the amount of the reduction in the state tax. Therefore, a firm with a favorable experience rating pays the state its reduced tax, takes full credit on 90 per cent of the federal tax, and pays the Federal Government only the top 10 per cent.

A company which is liable for the federal tax but has employees scattered over several states may, if the number of employees in any of these states is not sufficient to require the firm to report under the state tax system, voluntarily ask for coverage. In this way, it will become eligible for the additional credit on the federal tax and may—if it has a favorable experience rating—make an important saving.

—*The Controller*, April, 1953, p. 188:1.

Industry's Plans for Expansion, 1953-'56

U. S. MANUFACTURERS plan to increase capacity 16 per cent by 1956 in anticipation of a 10 per cent sales boost during the period, according to the sixth annual McGraw-Hill Survey of Business Plans for New Plants and Equipment.

Many firms, the survey showed, plan to capture a larger share of the market, expecting to increase their sales by 13 per cent, on the average, although they anticipate industry sales to increase by only 10 per cent.

Depreciation funds now finance a little more than half of capital spending,

and depreciation allowances in manufacturing are expected to increase from 1952's \$5.9 billion to \$7.8 billion in 1956. About 85 per cent of manufacturers reporting in the survey say they spend their entire depreciation allowances for plant and equipment and will continue to do so.

Capital expenditures are starting a trend from expansion toward modernization. About 57 per cent of 1953's outlay will be for replacement and modernization.

Capital spending for 1953 is 6 per cent higher than that for 1952; manufacturing firms expect to increase their capital spending by 1 per cent.

—*American Machinist* 4/13/53

Also Recommended • • •

SOURCES OF LONG-TERM CAPITAL. By Merwin H. Waterman. *Michigan Business Review* (School of Business Administration, University of Michigan, Ann Arbor, Mich.), May, 1953. Gratis. Since the war, American corporations have obtained \$56 billion in new capital from nine groups of investors, which are described in this article. Pointing out that these sections of the capital market are in a constant state of flux, the author discusses the ways in which they are affected by both the changing motivations and objectives of investors and the competing demands for capital of individuals and governmental units.

TOWARDS BETTER CONTROL OF IMPROVEMENT COSTS. By W. Van Alan Clark, Jr. *The Controller* (1 East 42 Street, New York 17, N. Y.), April, 1953. 50 cents. Methods improvement programs have a real value and should be counted as capital assets, not merely as current expense reductions, this article states. The author discusses some of the managerial problems involved in justifying and controlling the expenses of the groups assigned to improvement projects, and makes suggestions for improving control yardsticks.

THE KEY TO EISENHOWER'S ECONOMICS: SOUND MONEY. *Business Week* (330 West 42 Street, New York 36, N. Y.), March 28, 1953. Reprints 20 cents. Describes the methods by which the Eisenhower administration expects to translate its campaign pledge for a "sound dollar" (a dollar redeemable in approximately the same quantity of goods at any time) into an anti-inflationary program of managed money and credit. As background for understanding current monetary policies, the report explains the meaning of sound money to business, and how the government can use central banks and can manage money and the government debt to maintain it.

EXECUTIVE COMPENSATION IN SMALL COMPANIES. By Jerome M. Rosow. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), May-June, 1953. \$2.00. Analysis of 1951 compensation data for the presidents or other top officers of 433 small corporations reveals, the author states, an average annual salary of \$20,000 for companies with sales of less than \$6,000,000 a year; wide variations in executive salaries; and significant, though not controlling, links between executive compensation and company sales and profits. Manufacturing companies pay the highest average compensation, it was found, though wide variations appear among companies making different types of products.

CONTROLLING RESEARCH COSTS WITH A BUDGET. By Adolph G. Lurie. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), March, 1953. 75 cents. Budgeting for research and development expenses should start with a suitable measure of the total outlay that is desirable and proceed with the construction of two budgets more directly related to cost control—one classified by types of expenditure and the other broken down by projects planned for the period, the author states. He identifies the types of projects to be included and discusses the techniques of budget revision.

INVESTING PENSION FUNDS. By W. C. Dunn. *The Controller* (1 East 42 Street, New York 17, N. Y.), April, 1953. 50 cents. Noting that little has been published on the investment problems involved in various types of pension trusts, the author finds that the majority of portfolios comprise corporate and government bonds, a moderate proportion of common stocks (if any), and a rather small number of preferred stocks. He examines in detail the General Electric Pension Trust, which operates under a self-administered plan.

Insurance Management

THE PROS AND CONS OF CREDIT INSURANCE

CREDIT INSURANCE has received a rather mixed response from the American business man. It has been rejected as too expensive, too specialized, or too difficult to understand. However, since it is often the answer to the credit loss problem, an understanding of the values and limitations of this type of coverage is important to every insurance buyer whose company transacts any sizable proportion of its business on a credit basis.

Credit insurance is intended to cover only abnormal losses—i.e., those which exceed the company's average annual percentage of loss. The insured is expected to absorb all losses which come under this predetermined limit.

Rates vary according to the amount of risk involved, the type of account the insured sells to, and the amount involved in each account. A large spread of small accounts will result in a lower rate than a concentration of large credit limits among a relatively small number of accounts. The cost may be as low as 1/10 of 1 per cent where both the insured and his accounts are in top credit classifications, but should not exceed 1/2 of 1 per cent except in unusual circumstances. The policy usually provides that you may do business only with firms having satisfactory ratings from a designated rating book.

With regard to the reporting of losses, there are two types of policies—the compulsory and the non-compulsory notification types. Under the first, an insured is required to notify his insurance company of all claims more than three months past due. Under the second type, the creditor need not file his claim with the company. The compulsory form is considered undesirable by some because it forces the creditor to insist on collection of an account shortly after it becomes due and before the company would normally press for payment.

When accounts referred to the insurer for collection are paid within 15 days, there is normally no charge for the services of the insurance company. Where the account must be collected by the insurer through an attorney, the insurance company makes a sliding scale charge, which may vary from 5 per cent to as much as 18 per cent of the amount recovered.

Credit insurance policies normally require co-insurance of at least 10 per cent of any loss sustained by the insured and up to 25 per cent, depending upon the amounts and risks. Moreover, credit insurance policies customarily limit their extent of liability on any one account, and also on the total amount of loss which they will be required to cover on all accounts in any one year.

As has been pointed out, there is a considerable amount of disagreement as to the merits and desirability of credit insurance. Here are a few of the arguments presented on both sides:

Advantages

Permits the insured party to obtain greater banking credit.

Fixes the credit loss for the year at a more or less definite amount.

Insurance charges are now considered as a normal business expense and may be so absorbed.

Forces prompt collection of all past-due accounts.

Permits a company to increase its sales and keep its losses proportionately fixed.

Forces the seller to do business only with credit-rated concerns.

Disadvantages

Insurance is moderately expensive, and constitutes an extra expense, particularly for a competitive business.

Doesn't cover the entire loss, only part of it.

Does not permit seller to extend credit in situations deserving of credit extension.

Certain accounts cannot be sold because of their credit ratings, unless an extra premium is paid.

Protection is limited in amount for any one account and for the total amount of risk assumed by the insurance company in any one year.

This is a situation that requires careful analysis by the credit man of each particular business. Many claim that if an account can be insured, normal business practice is all that is needed to make sure the credit line extended to such account is not exceeded; and as the poorer credit risks will be insured only at high extra premiums, the cost of the insurance prohibits doing business with such accounts. On the other hand, there are a number of advantages, cited above, which may make credit insurance desirable in the light of the special needs of the individual company.

—From *Credit and Collection Know-How*, by ROBERT J. SCHWARTZ and ALLYN M. SCHIFFER. Fairchild Publications, Inc., 7 East 12th St., New York 3, N. Y., 1953. $5.00.

THE PROBLEM OF DUPLICATE COVERAGE

WHEN A COMPANY suffering a financial loss has two or more applicable insurance policies affording similar coverage, probably issued by different insurers, a difficult legal problem often arises.

Virtually all "other insurance" clauses in casualty policies are intended to create either "contributing" or "excess" insurance. In other words, a policy clause may seek to make other applicable insurance contribute in some proportion to a "joint loss," or it may attempt to make its own proceeds available only after such other insurance has been exhausted. Among the more progressive insurers, however, there exist some inter-line and intra-line agreements providing that in various cases of duplicate coverage, whatever the policy provisions, the insured shall be protected and the loss divided between those "on the risk," in accordance with specified formulae.

In the absence of any policy provisions governing duplicate coverage, the general rule is that the insured may recover a proportionate part of the loss from each of the insurers, or he may recover the entire amount from any one of them, in which case such insurer may demand contribution from the others. Insurers have sought to provide expressly in the policies for such contingencies, to prevent the operation of this rule.

The contribution clause most frequently encountered in casualty insurance is the "other insurance" condition, which is found in the standard automobile and general liability policies, among others. This clause has been held to mean that the company, even in a suit by the in-

sured, may not be compelled to contribute to a loss in a proportion greater than the applicable policy limits bear to the total applicable limits of all insurance covering the loss. When two "other insurance" clauses are applicable to a loss, the liability of each insurer is several, not joint. Consequently, if an insurer under such circumstances pays more than its proportionate share of the loss, it cannot recover such excess from the other insurer.

The other contribution clause most frequently appearing in casualty policies is that found in the standard boiler and machinery contract and most explosion coverages. This is a materially different rule, establishing as the criteria of contribution the amounts which normally would be payable under each policy on account of the particular loss if no other insurance had existed, rather than the limits of liability set forth in the respective declarations.

Where these two different provisions are incorporated in different policies, both of which apply to the same loss, each insurer would ordinarily be compelled to pay only according to its policy provision. In all known cases, however, the insured has been fully reimbursed and the carriers have reconciled their differing theories of contribution without resort to the courts.

When the amount available in the second type of policy described above is greater than that of the first type ("limits of liability"), a literal application of both clauses to the loss appears always to result in a lack of coverage to the insured, until the amount of loss equals the amount available in the second type of policy.

The "excess" type of "other insurance" clause is frequently employed in casualty insurance. A typical provision:

> The insurance afforded by this policy shall be excess insurance over any other valid and collectible insurance applicable to a loss covered hereunder; . . .

The intent of such a clause is clear and would, of course, be given effect in the event that the other applicable insurance policy contained no pertinent provision. Since, however, virtually all policies do provide for the possibility, the principal difficulties arise when such a clause conflicts with a similar or different clause in another policy. When all policies involved are of the same nature, the New York Court of Appeals has held in effect that such clauses negate each other and all policies should contribute to the loss.

—James B. Donovan. *Rough Notes*, April, 1953, p. 19:5.

Life Insurance: They Live to Collect It

THANKS TO a novel insurance provision, in effect at McCormick & Company of Baltimore, any retiring employee may receive from the company his group life insurance proceeds by means of monthly advances.

The employee's premiums for his group insurance cease at the time of retirement. If he wishes to supplement his retirement income at that time, he may request settlement of the full face value of his group insurance by equal monthly installments, starting at once and running for a period of at least 10 years, as elected by the employee. The payments are made by the employer without affecting the group insurance policy, except that the company is reimbursed for its advances from the proceeds of the policy at the death of the retired employee.

—*L.O.M.A. Bulletin* (Life Office Management Association, 110 East 42nd Street, New York 17, N. Y.) 1/15/53

VESTING PROVISIONS IN PENSION PLANS: A SURVEY

One means of protecting the pension credits of workers who change employers before becoming eligible for retirement benefits is provided by vesting. Essentially, this guarantees to the individual a right or equity in a pension plan, based on all or part of the employer's contribution, should his employment be terminated before he becomes eligible for retirement benefits. The vested right in most cases is granted in the form of an annuity, the payment of which commences when the worker reaches retirement age. Occasionally, vesting provisions contain an option under which the worker can receive a lump-sum benefit when he leaves the company.

Pension plans may provide for various types of vested rights. Under deferred full vesting, the receipt of all rights is deferred until a worker attains a certain age and/or has completed a specified period of employment or participation in the plan. Another type of deferred vesting grants only those benefit rights based on a certain percentage of the employer's contributions after specified conditions are met. This percentage increases as additional conditions are fulfilled, until eventually the worker is fully vested.

In order to ascertain the prevalence and characteristics of vesting provisions, the Bureau of Labor Statistics analyzed 300 pension plans, all of which were under collective bargaining. These programs covered approximately 5,857,000 workers. Over three-fourths of the plans, covering two-thirds of the workers, were in manufacturing industries. The programs varied in size from those covering well over 100,000 workers to those applying to less than 1,000 employees.

Two hundred and fifty-five of the plans were restricted to single companies. Of these, 73 provided for vesting. Only two of the 45 multi-employer plans granted workers vested rights.

Deferred full vesting provisions were incorporated in over four-fifths of the plans—covering a similar percentage of the workers—which provided for vesting. The remaining vested plans were of the deferred graded type.

The requirements which workers must fulfill before being vested varied greatly. Some programs prescribed specified lengths of service before workers were vested. Others provided that vesting rights were accrued after the completion of stipulated periods of participation in the plan; these programs often did not permit a worker to join the plan when he first became employed. Frequently, age qualifications were also stipulated.

Assuming that all workers join when first eligible, plans under which vesting is conditioned upon participation requirements may be made comparable to those specifying service qualifications by adding the required pre-participation period to the plan membership period. Using this approach, the service requirements of all deferred-full-vesting plans ranged from five to 25 years.

The plans with deferred graded vesting also varied greatly in the requirements to be fulfilled before a worker had vested rights. With one exception, the minimum qualification before any part of the employer's share was vested ranged from five to 12 years' service.

The most common method of grading was to vest half of the employer's contributions after 10 years' service and add another 5 per cent for each year of service

over 10. Half the plans with deferred graded vesting required 20 years' employment before full vesting was achieved. In other cases, the maximum service period specified ranged from 15 to 30 years.

The qualification of at least 10 years' service that was present in over three-fourths of the plans would restrict considerably the number who might benefit by vesting.

—EVAN K. ROWE and THOMAS H. PAINE. *Monthly Labor Review,* March, 1953, p. 237:9.

Also Recommended • • •

YOUR PLANT, TOO, COULD GO BOOM! By J. W. St. Andre. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N. Y.), April, 1953. To cut down the possibility of explosion in his plant, the manufacturer should study the three classes of hazardous locations specified by the National Electrical Code, this article advises. Describing some hazards which require special installations and others which do not, it suggests Underwriters' Laboratories data will prove helpful in determining the suitability of explosion-proof equipment.

A SURVEY OF PENSION PLANNING. By Robert E. Sibson. Commerce Clearing House, Inc., Chicago 1, Illinois. 184 pages. $2.00. In this comprehensive review of the factors which must be considered in formulating a sound and financially practical pension plan, the author examines alternative methods for financing pensions, membership requirements and eligibility provisions, types of retirement benefits, and formulas for determining benefits. Of particular value is the author's discussion of the costs of various types of pension arrangements and the means of estimating the employer's emerging liability at various stages of the plan.

METHODS OF FUNDING PENSION PLANS INVOLVING LESS THAN 50 LIVES. By Herbert L. Jamison. *The New York Certified Public Accountant* (677 Fifth Avenue, New York 22, N. Y.), Vol. XXIII, No. 1. 50 cents. The fear of many small businesses that pension plans are too expensive for any but large concerns is unfounded, says the author, since funds accumulated in good years may be used to keep the plan going during lean ones. He describes various funding methods for insured and self-insured plans, with emphasis on a deposit administration type of plan, and also considers profit-sharing trusts.

FIRE CAN SEND YOUR PROFITS UP IN SMOKE. By G. G. Carr. *The Iron Age* (100 East 42 Street, New York 17, N. Y.), May 21, 1953. 35 cents. Industrial blazes cost business $172,750,000 in 1951; incomplete figures for 1952 show that 88 outbreaks cost over $39,000,000. This report analyzes fire dangers, using examples from actual outbreaks, and emphasizes the importance of training workers for fire prevention. For example, 95 per cent of all workers have never used a fire extinguisher or seen one demonstrated, according to insurance company estimates quoted in this article.

WHERE ARE AUTOMOBILE RATES GOING? By James H. Cahill. *The Spectator* (Chestnut and 56th Streets, Philadelphia 39, Penna.), April, 1953. 50 cents. Liability rate revisions, which went into effect in 41 states and territories last year, have partially stopped the downward trend of profits in the automobile insurance business. Yet the countrywide actual loss ratios are still approximately 65 per cent, this article states. New York's preferred risk rating plan is examined here, along with other proposed solutions to the problem of high costs in automobile liability insurance.

IS YOUR NEW PRODUCT SAFE? By John V. Grimaldi. *Mechanical Engineering* (American Society of Mechanical Engineers, 29 West 39 Street, New York 18, N. Y.), February, 1953. Citing the experience of several manufacturers who had failed to recognize the existence of hazards to personnel or materials in their products, the author points out that proper testing is as important as proper insurance coverage for the company introducing a new product to industrial or retail markets. Analysis of the costs involved in eliminating these hazards should, he points out, be considered in evaluating any new product from the standpoint of potential profits.

Packaging

PACKAGING TO MEET THE SELF-SELLING TREND

WHAT ARE successful packagers doing to meet the demand, in every type of outlet, for packages designed to sell themselves? How much are they influenced, in their redesigns, by considerations of television presentation? In today's emphasis on design, are basic protective requirements being overlooked? Is it better to make design changes quickly and boldly, or to make them gradually?

To find the answers to these and similar questions—which constitute some of the most pressing problems in the packaging field today—*Modern Packaging* surveyed a select list of 100 of the largest firms in the fields of foods, drugs, toiletries, hardware and soft goods. These companies were asked:

1. Whether they had made design changes for self-service selling—and why.
2. Whether they consider their present packages completely satisfactory for self service—from the standpoint of design as well as consumer convenience and retailer convenience.
3. Whether they consider their packages physically adequate against the hazards of shipping, climatic conditions, shopwear and pilferage.
4. What effect television has had on design.
5. Whether they believe in the quick or the gradual change.

Replies to the survey questions among the companies whose products are sold in retail food and drug outlets showed that recent design changes and contemplated changes have been practically universal (1) to step up brand identity, (2) to make packages for well-established products stand out more prominently from more effective newcomers, (3) to provide more pertinent buying information that helps consumers in making a brand selection.

More than two-thirds of the companies questioned stated that, having in most cases accomplished recent changes, they now considered their packages entirely satisfactory from the standpoint of design, consumer convenience, and retailer convenience.

On the question of package protection, the answers indicated that while the majority of companies believed they had licked the problem of shipping hazards, nearly one-fourth were of the opinion that methods could be better. About half considered the protective aspects of their packages adequate against atmospheric conditions such as moisture, heat or cold. Protection against shop-wear is still a problem to be solved by about one-third of those who reported, and pilferage has become a serious problem for drug firms selling small items in supermarkets.

Package recognition over television has become an important consideration for all those who are using this new advertising medium or are considering it. New packages are being designed with the simplicity and legibility this new visual advertising requires.

Leading firms seemed to be about equally divided in their opinions on the question of whether, when making a package-design change, the change should be gradual or quick, a slight majority favoring a quick change wherever it can be accomplished.

It is only during the past year, per-

haps, that most manufacturers have seriously faced the fact that the package itself—which created the self-selling revolution—needs a completely new program of logistics to meet the current battle of the markets.

The concept of the package as the lone salesman is now almost universal, and package planning is becoming as scientific in its approach as the sales and advertising campaigns that support the package. Briefly, the recommendations of those most experienced in this kind of planning may be divided into the following seven basic points:

1. *Give your package* the strongest possible brand and trademark identity.

2. *Pre-sell your package* prominently in all advertising to win instant recognition at the point of sale.

3. *If you market* an assortment of products under one brand name, use the best possible illustrative treatment to identify and to aid selection.

4. *Equip the package* with pertinent and persuasive buying information.

5. *Plan the package* and shipping units with the retailer in mind—make it easier for him to handle and to sell.

6. *Design the package* to suit the selling techniques of the outlets where it is to be sold.

7. *Provide a pilfer-proof package.*

If you are packaging for new outlets, it goes without saying that you must start by making an intensive study of the packaging requirements of your markets.

Brand emphasis is definitely the first requisite today, leading packagers say. Never in the history of merchandising has the public been more conscious of brand names, nor more partial to familiar brands. Confronted with a dozen competing brands on a rack, shoppers will choose the one they know, or give a trial to one they've heard of—*if* they recognize it by the package. This means, among other things, that package illustration must be given much more emphasis in all forms of advertising today—to make it easier for the consumer to identify the package at the point of sale.

Many firms are finding it essential to provide more pertinent buying information on packages to help the consumer make a decision between brands and a choice between various assortments of products. The copy must suggest the reasons why she should buy the product and say it fast. Copy on packages today has become so important that in some cases special copy consultants have been called in to check the copy before it is released on the package.

Shoplifting of small items has become a daily problem with the growth of self-selection and self-service. Small articles that can be slipped into a coat or purse without detection are tempting loot for the dishonest person; some figures have shown pilferage of nylon hosiery as high as 10 per cent until packaging methods were devised to discourage the stealing. Store operators like small articles mounted on cards or packaged in some other way to give the bulk that prevents loss.

The satisfaction with which many companies seem to regard their present packages is a fine thing to a degree, but in an era when merchandising trends are shifting so rapidly, the wisdom of complacency is certainly questionable. The history of almost every package proves that packaging must of necessity be a continuing study, and that complete satisfaction—if it really exists—can only be transitory.

—*Modern Packaging*, April, 1953, p. 115:9.

TESTING YOUR NEW PACKAGE DESIGN

For almost every proposed package there are three major elements that should be considered, tested, and appraised before reaching a final decision about the acceptability of the package design: (1) *Utility*—the convenience and protective qualities of the package from the point of view of the customer and the dealer; (2) *Visibility*—the attention-getting value of the package and the ease and speed of package identification; and (3) *Impressionability*—the immediate and long-range effects produced on the customer.

Obviously, the relative importance of each of these will change from one situation to another. The individual emphasis can only be determined as the over-all marketing problem is defined and analyzed.

Package Utility. Let us review some of the typical questions we might have to consider in order to measure and appraise the utility of a proposed package:

1. Is it a convenient size for home storage, servings, etc., and for dealer shelf and mass display?

2. Does the shape make it easy to handle, pick up, and carry? Will it stack on dealers' shelves?

3. Are special dispensing, opening, and closing devices necessary?

4. Can the consumer dispose of the package easily?

5. Are the directions for use clear and understandable?

6. Will special protective materials be required to keep the product in good condition in the store and on the consumers' shelf?

7. Does the package have secondary use possibilities? If so, will they increase sales?

In many cases, these questions can be answered only by testing packages under actual customer conditions in the home or place of business. Repeated use of the product in the proposed container will be required to determine the practical value of such things as special opening and closing devices.

Frequently the public buys a product because of the novelty appeal of the package. Some package utility problems can be solved only by observing and measuring customer repeat purchasing.

Products that do not stack well, that are too large or too small for standard shelves or too difficult for clerks to handle, create annoying problems for the dealer. A preliminary survey among dealers will often detect package weaknesses that might ultimately cost the manufacturer more than his present profit margin. Where possible, the new package should be put into representative retail stores to test and appraise its utility under normal handling conditions.

Package Visibility. Here we are concerned primarily with the package size, its shape, layout, color combinations, illustrations, typography, and package materials. Important questions will usually include:

1. Does the package catch the eye of the shopper?

2. Is it strong enough to stand out from all competition on the shelf, in mass displays, on counters, and in window displays?

3. Can the customer quickly identify the brand? The type of product?

4. What are the strong and weak elements of the package design? Can the color combinations be improved?

5. Can the package be seen under all types of lighting conditions?

Package Impressionability. The third major factor to be considered in testing the acceptability of a package design is the immediate and long-range effect of

the package on the prospective customer. These are some of the questions that should be answered:

1. Does the package *appear* to be as large or larger than other competitive packages?

2. Does the package suggest freshness and cleanliness (if this is an important consideration)?

3. Does it connote quality—or, if price is a major factor, does it suggest that the product may be too expensive?

4. Does it immediately classify the product correctly, or does it give the buyer the idea that the package contains some entirely foreign product?

5. Is the copy on the package understandable? Is it believable?

6. Does the illustration help to give the customer a reason for buying? Does it suggest how to use the product?

Frequently the illusion of package size can be determined by exhibiting a series of the new and old packages to potential customers and objectively measuring their reactions.

Association tests often are used effectively. Respondents are shown a package design for a fraction of a second and asked to state the first thing that comes to mind. Unfavorable responses provide the trained package design analyst with clues on how the package can be improved.

Controlled side-by-side sales tests in selected stores often can provide valuable information about the relative sales appeal of certain package designs. Impulse items may require repeat-purchasing experiments to determine if the new package design has made a deep enough impression to cause repetitive buying.

Tests designed to measure the impressionability of a package design may also reveal valuable information for appraising its utility or visibility. All three factors are important to a successful package design; a well-integrated testing program should include all the techniques necessary to develop practical and complete results.

—From an address by ROBERT F. ELRICK before the American Marketing Association.

Shipping Cases Carry Your Sales Message

THOUGH MANY USERS of shipping containers don't realize it, a shipping case can be a miniature billboard with an unusual "life expectancy."

As a part of its program of educating customers, as well as its own 6,000 employees, on the potency of shipping containers for both general advertising and point-of-sale, Fibreboard Products, Inc., recently issued a pictorial sales bulletin, "The Advertising Life of a Shipping Container."

The story, which follows a shipping case from the time it comes off the packaging line through its travels to wholesaler, to retailer, to consumer, points out that a sales message on the sides of a shipping case, while it costs practically nothing, is a remarkably effective device for promoting the name and qualities of the product.

—*Good Packaging* 1/53

JUDGING BY APPEARANCES: People are not aware of how much the color and design of a package influence their buying habits, according to the Color Research Institute, Chicago. Eighty-six per cent of a group of women participating in a test conducted by the Institute picked one kind of coffee as superior to two others sampled. Actually, all three coffees were the same; only the containers differed.

Also Recommended . . .

PACKAGING SPECIFICATIONS. Container Laboratories, Inc. (45 East 22 Street, New York 10, N. Y.). 4 pages. Gratis. Without proper purchasing specifications for packaging materials, backed up by sound control and inspection procedures, the typical shipper is likely to be confronted by the double problem of high costs and poor quality, this pamphlet points out. Among suggested sources of data helpful in the development of realistic specifications are business and technical organizations that have been active in the evaluation of testing methods for packaging materials, and published compilations of the pertinent common carrier regulations.

NEW CONCEPTS OF MILITARY PACKAGING. By S. S. Horwitz. *Modern Packaging* (575 Madison Avenue, New York 22, N. Y.), Vol. 26, No. 1. Today, since the bulk of military products are going into storage for relatively long periods, considerations such as size of package and resistance of packaging materials to deterioration have become primary. Ways to meet the new criteria are discussed at some length in this article, which also provides a checklist to guide the supplier in developing an economical and adequate package for his product.

COLOR ANALYSIS IN TERMS OF LIGHTING. *Package Parade* (22 East Huron Street, Chicago 11, Ill.), January, 1953. Because of the increasing use of intense artificial lighting in supermarkets and other types of retail store, package planners must give consideration to another variable in the long list of factors affecting package color selection. This article explains how scientific color analysis can help to point out ways of compensating for these new conditions without sacrificing the sales appeal of a long-established color.

TOP MANAGEMENT FORUM: *Packaging of Industrial Goods Is Getting Better.* *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), February, 1953. Seven manufacturers, including a producer of containers, tell how they strive to find attractive, convenient, and readily-identifiable package designs for their industrial products so that these will be judged favorably at each point of contact along the line of distribution. A producer of huge power sweepers, for example, finds that his packaging has as much sales importance as an attractive container for a consumer product.

ARE YOU USING THE RIGHT CONTAINER FOR THE JOB? *Flow* (1204 Ontario Street, Cleveland 13, Ohio), Vol. 7, No. 12. A survey of the types of containers available for transporting and storing in-process and finished parts at various stages of production and packaging, with special attention to materials, design, and ease of handling. Over 20 photographs illustrate the possible uses of skid bins, tote boxes, caster-mounted units, pallets, baskets, and collapsible containers.

WHERE PACKAGING'S 3 'R's' ARE TAUGHT. *Package Parade* (22 East Huron Street, Chicago 11, Ill.), March, 1953. Standardization of packaging procedures, methods of performing various packaging operations, and practical quality control are the three R's of packaging taught "seasonal employees" at Miles Kimball Company, Oshkosh, Wisc. The program, which is particularly suited to organizations handling a diversified range of shipments, enables a company to make effective use of large numbers of temporary workers during peak seasonal activity.

THE PACKAGE ENGINEER. *Modern Packaging* (575 Madison Avenue, New York 22, N. Y.), February, 1953. This article offers a comprehensive view of the package engineer's job at the Bristol-Myers Co.—one of the many firms which have established this function as a separate engineering activity and realized substantial economies as a result. Besides working with each product division in designing packages and effecting the changes in layout and equipment that become necessary, the package engineer's duties in this company include maintaining a complete library of packaging information, keeping abreast of competitive trends, and studying the potential use of substitute packaging materials.

PACKAGING FOR THE GOVERNMENT. Container Laboratories, Inc. (45 East 22 Street, New York, N. Y.). Four pages. Gratis. This pamphlet describes the rapid development of packaging methods under the impetus of military needs and lists the government agencies that are prepared to answer questions on specific packaging problems for companies with defense contracts. It also recommends certain publications on military packaging specifications and describes a training course available to packaging executives of industrial firms which are manufacturing military supplies and equipment.

Survey of Books for Executives

PSYCHOLOGY OF INDUSTRIAL RELATIONS. Edited by C. H. Lawshe and E. J. McCormick. McGraw-Hill Book Company, Inc., New York, 1953. 350 pages. $5.50.

Reviewed by James D. Weinland*

The stated purpose of this book is to bring available knowledge of human behavior to foremen and management men in non-technical language that they can understand. Written in simple words and straightforward sentences, *Psychology of Industrial Relations* can be used by anyone; it does not require a technical background on the reader's part. The facts presented are of the survey type, giving wide coverage rather than exhaustive examination of any one topic. The orientation is practical.

The book is the product of an editor and six contributors. C. H. Lawshe, Professor of Psychology at Purdue University, is editor, assisted by E. J. McCormick, Associate Professor of Psychology at Purdue. The contributors are: Arthur J. Drucker, Department of the Army; Edmund E. Dudek, U. S. Naval Personnel Research Unit; William F. Long, Lackland Air Force Base; Kenneth Oliver, Creole Petroleum Corporation; and Robert I. Dawson, U. S. Rubber Company.

The work has no major emphasis. Its general point of view is that dealing skillfully with employees is neither a social nor a welfare service, but a paying proposition. The authors believe that an understanding of human beings, especially in regard to motiviation, can increase production when applied to employees.

Differences in style among the various contributors are evident to some extent, but this is more than compensated for by the reasonably even coverage of all topics. Also, the experience contributed by the six men is wider than that which would be available to a single editor.

The topics covered include a general introduction; three chapters on human behavior: "What Makes People Tick," "Motivation and Discontent in Industry," and "Feeling the Pulse"; and single chapters on employee placement, employee training, supervision, handling grievances, employee counseling, efficiency, wage administration, employee group relations and relations with union organizations. A reasonably extensive bibliography follows each chapter. The book is well indexed and attractively bound and printed.

Occasionally references made in the text seem unnecessarily obscure, and in some cases language is used with a trade slant that may not be clear to the general reader. Also, as may be expected in any book of such wide coverage, some statements are made that seem obvious or superficial, as: "It is sometimes possible, as a result of personal contacts with employees, to sense the presence of unrest or dissatisfaction."

Such defects are minor, however. This book should be very useful in distributing knowledge of human behavior to men working in the field of human relations.

* Professor of Business Psychology, New York University

HOW TO PREPARE TRAINING MANUALS. By Lynn A. Emerson, The University of the State of New York, Albany, New York, 1952. 365 pages. $4.50.

Reviewed by William V. Machaver*

As the profession of industrial training has matured, it has suffered the growing pains of confusion, disorganization, and lack of uniformity. Dr. Lynn Emerson has taken a long step toward systematizing one of the more important phases of industrial training, namely, codification and planning of the manner in which basic programs are set down and organized in training manuals. Industrial training has grown rapidly and contributed much

* Johnson & Johnson, New Brunswick, N. J.

to the effectiveness of business management and industrial operation. Dr. Emerson has shown us how to organize training manuals so that they may be used more effectively and be more widely applied.

How to Prepare Training Manuals is based upon a 14-step method which takes into consideration all the major and minor problems involved in preparing and publishing training manuals. Under most conditions, the author points out, the following steps are included, in somewhat the order listed:

1. Determine the objectives and the scope of the training program.
2. Outline the conditions under which the instructional materials will be used.
3. Make analyses to determine training content.
4. Select the analysis content to meet the specified objectives of the course.
5. Prepare the course outline.
6. Develop the over-all pattern for the instructional material.
7. Set up the format or pattern for the units of instructional material and for the series of units as a whole.
8. Get together the data needed — resource material for the content.
9. Decide upon a style of writing.
10. Write the draft copy.
11. Prepare the illustrations.
12. Check and revise the written copy and the illustrations.
13. Try out the material.
14. Prepare the master copy for duplication.

These steps are pertinent and universal. They are easily applied and if followed will help both experienced and inexperienced training men to build manuals that may be easily used by both professional trainers and line supervisors.

Perhaps the most significant contribution made by this book is the relation of technique to basic principles. In his chapter "Educational Principles and Training Manuals," Dr. Emerson outlines and emphasizes the importance of certain principles of teaching and learning and shows how these principles are related to the building of training materials.

Most training men are impatient with the "tremendous trifles" of preparing manuals—such as illustrations, editing, style of writing, appearance, and method of duplication. Yet these very elements determine the readability and effectiveness of the manuals and hence their usefulness and popularity, particularly with line supervisors. Many helpful hints concerning these items are presented.

How to Prepare Training Manuals is abundantly illustrated with excerpts from almost every type of training outline and manual. Not only are general principles set down, but specific examples are given.

Dr. Emerson's book deals largely with vocational, industrial and manual training. There is an urgent need for this kind of planned approach to teaching aids in the field of executive development. The recent and growing concern with the broad development of executives and administrators demands the same attention to the organizing of manuals and training materials in the field of leadership.

Perhaps the highest compliment that can be paid to Dr. Emerson is the fact that all the principles and techniques he recommends are exemplified in his own book.

A STANDARD LIST OF SUBJECT HEADINGS IN INDUSTRIAL RELATIONS

Prepared by the Sub-Committee on Subject Headings, Committee of University Industrial Relations Librarians. Available from Industrial Relations Section, Princeton University, Princeton, New Jersey. 100 pages. $2.50.

Reviewed by Ordway Tead*

As one who started in a small cooperative venture in 1916 to initiate a scheme of topical filing and cross-referencing in the whole field of industrial relations, this reviewer has kept a keen, continuing interest in the problem. It must obviously be attacked with somewhat broader prescriptions and procedures than those offered by the Dewey Decimal System of book classification. And it is high time that a

* Editor, Social and Economic Books, Harper & Brothers.

current standard listing should be made available for the use of universities, consulting firms, corporations and individuals. It should be a matter of gratitude on the part of all those that the present volume is at last on hand for such wide and necessary use.

Having sampled it in relation to obvious subjects, topics, phrases, and so forth, I consider this a reasonably comprehensive and acceptable tool for use by all of us. It is not over-elaborated; its subject titles are contemporary; and its cross references are sensible and helpful.

This subject heading list can be recommended with considerable enthusiasm to all who have the problem of filing the tremendous inflow of printed matter which comes across the desk of all interested in this field. The compilers have done a splendid and exceedingly useful job.

SALESMEN'S COMPENSATION. By Harry R. Tosdal and Waller Carson, Jr. Division of Research, Graduate School of Business, Harvard University, Boston 19, Mass. 1953. Two volumes, 972 pages. $11.50.

Reviewed by Richard D. Crisp*

This two-volume treatment of the subject of salesmen's compensation is organized along the following lines: Volume I is in two major parts. The first of these discusses the "Principles and Practices" of sales compensation in a general way. The second presents a report of a "Statistical Survey of Salesmen's Compensation" which summarizes the pay practices affecting 1,254 companies' sales forces during 1948 and 1949. Volume II presents 30 case studies in the field of salesmen's compensation, with a commentary by the authors on each case. These case studies are grouped according to the type of compensation plan used, with three of the cases concerned with salary plans, seven with commission plans, nine with salary and commission plans, and 11 falling into the "bonus and other plans" category.

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The jacket describes these two volumes as "the most thorough and comprehensive study of the problems of compensating salesmen that has yet been made." There can be little quarrel with that claim.

Of the three major divisions of this study—the discussion of principles, the statistical survey, and the 30 cases—the survey stands out, in this reviewer's opinion, as its major contribution. The survey in question is not a new one; it was published in 1951 in paper-bound form. Sponsored jointly by the Harvard School of Business and the National Sales Executives, Inc., it reported the sales-compensation practices of 1,243 companies in 1948 and 1949. The present republication adds 11 additional companies to the sample. There are those who feel that a study of 1948 and 1949 practices is of limited value today. I cannot agree; the problems of salesmen's compensation are almost timeless. The survey in question represents a milestone in sales-management literature, and will remain a source of valuable guidance for years to come. Making the survey findings available in permanent form is an important contribution of the present publication.

The other two major sections of this publication are likely to be of limited interest and value to readers of THE MANAGEMENT REVIEW. The discussion appears to be aimed more at teachers of sales management than at those who are primarily concerned with its more practical aspects. In preparing this review, I checked the opinions of a number of different sales executives as a precaution against prejudice on this point. Without exception, they found the present volumes to be rather widely separated from the realities of sales-compensation problems. The emphasis on the theory rather than the practice of sales compensation may be necessary and desirable in writing to an audience of teachers and students. However, it certainly reduces the value of the present books to the practical sales executive.

One important limitation of the present volumes requires comment; I was very conscious throughout my reading of these books

of the extent to which the authors have scrupulously confined themselves to the subject of salesmen's compensation. This was by design, of course. Yet the problems of salesmen's compensation are so closely and intimately interrelated with many other areas of sales-management practice that it is almost impossible to get a balanced picture of salesmen's compensation from a study which excludes those other areas. There results in this case an examination of salesmen's compensation more or less in a vacuum. Sharp boundaries of the field have been achieved through surgery, with a consequent loss of vitality. This may be a limitation of the approach—which was confined to the intensive examination of a part of a complex and interrelated field—rather than of the present volumes, but limitation it is.

Despite this criticism—which applies to the scope of the material and not the manner in which it has been treated—these are thoughtful, scholarly volumes of which the authors may well be proud. Are they volumes which readers of THE MANAGEMENT REVIEW are likely to find useful and helpful? The answer depends, I think, on the intellectual bent of each reader. If you as an individual react to a marketing problem by turning to one of the various case books in marketing which are now in print as a source of guidance, you are likely to find the present volumes similarly useful.

BUSINESS FORECASTING: *Principles and Practice.* By Frank D. Newbury. McGraw-Hill Book Company, Inc., New York, 1952. 273 pages. $4.75.

*Reviewed by Chapin Hoskins**

For executives the outstanding value of this book will lie in the chapters which ably outline the importance of business forecasting and enumerate practical ways of organizing corporate forecasting activities.

"Forecasting . . . is as inescapable in business life as breathing and digestion are in physical life. . . . The broad test for good forecasting is whether or not it leads to correct management decisions. . . . Successful forecasting reduces the area of avoidable risk. . . . Good planning depends on good forecasting." Like many statements concerning management, these epigrams will to some managers seem obvious. The fact is, however, that the role which successful forecasting can play in effective business operation is only beginning to be appreciated even in companies which have long been leaders in the development and improvement of other management functions.

It will do even the most able company administrators no harm to review their thinking on this subject and re-examine their own companies' policies and practices (or lack of them) in this area. For this purpose, these chapters will be found stimulating; the brief quotations given above are by no means a fair sample of the contents, which include an analysis of the different kinds of forecast and a discussion of the varying forecast needs of companies of different size and type. Whether or not the particular methods of forecasting which Mr. Newbury describes and recommends will provide that vision of future probabilities which management needs, the reader will judge for himself.

There are at least two ways of approaching the problem of forecasting. The most popular method is to set up a theory of economic change and devise procedures which ought to work if the theory is correct. This is the method which a British scientific writer, William H. George,[1] has named "the should-ought mechanism." The currently fashionable method of using gross national product as a basis for individual company forecasts is, in this reviewer's humble judgment, a should-ought mechanism, as have been other widely publicized and now largely forgotten approaches of previous years. Mr. Newbury's book gives primary attention to this method; for those who wish to understand it, the author's exposition will be very helpful.

The other approach to forecasting, that of patient and persistent application of scientific

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[1] George, William H., *The Scientist in Action.*

method in order that forecasting may be based on knowledge of exactly what does happen in this world of constantly changing business activity and prices, the author passes over. In this book, which was copyrighted in 1952 and apparently written in the latter part of 1951, he says: "The prospects are for an upward movement in the basic price trend[2] beginning in 1952 . . . There is certainly no reason to anticipate a downward movement of the basic price trend over the next few years . . . Prices decreased slightly beginning with March, 1951, and may continue to decrease during 1951, but all the nonmonetary factors that influence actual prices indicate that actual prices will remain above the basic trend and will not fall below this trend." In other words, the "should-ought" of the situation called for strength in prices during what is now the recent past. Meanwhile, quite the opposite expectation was held by a number of companies whose activities were guided by the basic-behavior approach. And the movement of prices, as measured by the BLS Spot Commodity Index, was downward from February, 1951 to at least June, 1953.

Mr. Newbury does depart from orthodox theory in his advocacy of the use of business cycle analysis in forecasting, but he is more an apologist for than an exponent of the cyclical approach. "In forecasting by use of business cycles," he states, "we have not progressed beyond the point of putting up road signs which point the direction but which are vague as to distances. But, as in a journey, if we can be sure we are headed in the right direction, exact distances are not too important." He is seemingly unaware of the tremendous progress which has been made in this field. That his own measure of cyclical change in the Federal Reserve Board Index of Industrial Production was an entire half-cycle off in 1949, calling for a high where a low actually occurred, appears not to disturb him. Actually, it was possible, by more useful measurements, to come within a few months of accuracy in this instance.

One further quotation may help the reader to evaluate the author's approach to forecasting. "There is no sound basis for predicting the amplitude of individual cyclical swings from the behavior of cycles themselves," he says. What he means is that *theory* offers no sound basis. As a matter of *fact*, unbiased scientific evidence has been indicating that in the affairs of an individual company it is sometimes possible, solely by study of the mechanics of cyclical behavior, to come closer to amplitude prediction than ever before.

[2] By "trend" Mr. Newbury means "a calculated price trend which is determined solely by volume of physical production and money supply."

Briefer Book Notes

[Please order books directly from publishers]

GENERAL

EFFECTS OF TAXATION: INVESTMENTS BY INDIVIDUALS. By J. Keith Butters, Lawrence E. Thompson, and Lynn L. Bollinger. Division of Research, Harvard Business School, Boston, Mass., 1953. 533 pages, $6.25. This final volume in a series on the effects of taxation upon business investigates the effects of recent tax legislation upon the willingness and capacity of individuals in upper tax brackets to accumulate new investable funds. The data, collected in interviews with 750 investors, reveals that 65 to 70 per cent of all marketable stock held by private individuals is owned by family spending units with net worth exceeding $250,000. Changes in the tax structure, as of 1949, substantially reduced the capacity of high-income individuals to supply venture capital for business and decreased their willingness to make equity-type investments, but their remaining capacity is still very large—much larger than is generally supposed, the authors found.

GETTING THINGS DONE IN BUSINESS. Edited by Edward C. Bursk. Harvard University Press, Cambridge, Mass., 1953. 152 pages, $3.25. Based on addresses and discussion at the 22nd National Business Conference of the Harvard Business School Association last June, this volume consists of 10 penetrating essays on human motivations and dynamic forces in society encountered by business men in their dealings with their executives, their workers, and the public. Topics include: developing and maintaining the executive team, union power and teamwork in industry, and the corporation—a new form of government?

MONEY, MEN AND MACHINES. By Waddill Catchings and Charles F. Roos. Duell, Sloan and Pearce, New York; and Little, Brown and Company, Boston, 1953. 116 pages, $2.50. After reviewing the role of money and banking in our economic system, the authors strongly criticize the monetary policies being followed by the Board of Governors of the Federal Reserve System, which, they state, tend to obstruct economic freedom and long-term prosperity. Specifically, they question the wisdom of Board decisions to reduce the amount of money in circulation (deflationary or "dear money" policy) as a means of controlling inflation. They advocate limitations on the Board's discretionary powers, recommending Congressional amendment of the Federal Reserve Act to define more clearly the objectives of public monetary policy.

TEAMWORK IN RESEARCH. Edited by George P. Bush and Lowell H. Hattery. The American University Press, Washington, D. C., 1953. 191 pages, $4.00. The Third Institute on Administration of Scientific Research occupied itself largely with considerations of team research, and this book—itself an example of teamwork—is an adaptation of the proceedings. The several authors are concerned with maintaining individual creativity in science while meeting the problems of specialization posed by "inter-disciplinary projects." Topics discussed include organization, personnel factors, and such essentials of effective teamwork as communications and administrative support. A number of case examples are given.

INDUSTRIAL RELATIONS

RETIREMENT AND THE INDUSTRIAL WORKER: PROSPECT AND REALITY. By Jacob Tuckman and Irving Lorge. Bureau of Publications, Teachers College, Columbia University, New York, 1953. 105 pages, $2.75. This book is the result of a study undertaken by the Institutes of Adult Education and Psychological Research of Teachers College, in cooperation with the New York Cloak Joint Board of the International Ladies' Garment Workers' Union and the Federal Security Agency, to determine the attitudes of the union's members toward retirement, and the reasons behind these attitudes. It is the authors' contention that the psychological impact of such feelings must be considered in the construction of realistic retirement programs. Numerous tables are presented to illustrate the data.

COMMUNITY WAGE PATTERNS. By Frank C. Pierson. University of California Press, Berkeley and Los Angeles, 1953. 213 pages, $3.75. The results of a survey of wage patterns, conducted by the Institute of Industrial Relations at UCLA, are here embodied in a factual account of wages and their relation to employment, investment, productivity, union activity, and local environment. The findings indicate that wages in particular industries and localities form a well-knit structure largely controlled by economic and social forces operating on a broad regional or national basis. Though the area studied (Los Angeles County) may be thought somewhat atypical of the nation as a whole, the analysis of the forces which control wages at the local level should have broad application. The text is supplemented by a number of charts and pointers on paper, printing, illustrations, and other production details.

EDITING THE COMPANY PUBLICATION. By Garth Bentley. Harper & Brothers, New York, 1953. 242 pages, $3.00. A revised, enlarged edition of *How to Edit an Employee Publication*, which appeared in 1944, this book covers publications prepared for consumers and distributors as well as for employees. It discusses the kinds and possible sources of news and information these publications should contain; methods of gathering, preparing, and distributing the material; and pointers on paper, printing, illustrations and other production details.

MANUFACTURING

THE THEORY OF INVENTORY MANAGEMENT. By Thomson M. Whitin. Princeton University Press, Princeton, 1953. 245 pages, $4.50. Inventories, often referred to as the "graveyard" of American business, are here subjected to a meticulous analysis, based on computation of economical purchase quantities and statistical determination of safety allowances. After a discussion of various systems of control, the author examines the effects of inventories on the business cycle and on the economy as a whole. Using the same general form of analysis, Mr. Whitin then approaches the problem of inventories in the national military establishment.

THE PRACTICE OF TRAFFIC MANAGEMENT. By Edward A. Starr. The Transportation Press, P. O. Box 381, Dallas 1, Texas, 1952. 249 pages, $4.00. In this study of the duties and responsibilities of the traffic manager, the author examines his subject from the legal, economic, and practical points of view in an attempt to promote a deeper understanding of this important field. Topics discussed include organizational problems, rate structures, freight tariffs, routing of shipments, tracing of shipments, private trucks, and materials handling.

PROGRESSIVE APPAREL PRODUCTION: WITH CASE PROBLEMS. By Bertrand Frank. Fairchild Publications, Inc., New York, 1953. 166 pages, $4.50. This book concerns the current trend, in the needle trades, toward the manufacture of styled apparel and textile products in small lots. Twenty-seven case histories are presented, illustrating the strengths and weaknesses of this type of production, with the author's suggestions for improvement. The role of the production executive is developed at some length, particularly with regard to the part he plays in integrating the various aspects of small-lot manufacturing.

Publications Received

[Please order directly from publishers]

ADJUSTMENT TO PHYSICAL HANDICAP AND ILLNESS: A SURVEY OF THE SOCIAL PSYCHOLOGY OF PHYSIQUE AND DISABILITY. By Roger G. Barker et al. Social Science Research Council, 230 Park Avenue, New York 17, N. Y. 1953. Revised edition. 440 pages. $2.00.

A GUIDE TO AUDIO-VISUAL MATERIALS IN MANPOWER AND INDUSTRIAL AND LABOR RELATIONS. By J. J. Jehring. New York State School of Industrial and Labor Relations, Cornell University, Ithaca, 1952. Revised edition. 56 pages. Gratis to residents of New York State.

THE GANTT CHART: *A Working Tool of Management.* By Wallace Clark. Sir Isaac Pitman & Sons, Ltd., London, 1952. Available from The Ronald Press Company, New York. Third edition, revised. 168 pages. $3.50.

MARKETING. By Ralph S. Alexander, Frank M. Surface and Wroe Alderson. Ginn and Company, Boston, 1953. Third edition. 840 pages. $6.50.

FORD AT FIFTY: *1903-1953.* Simon and Schuster, Inc., New York, 1953. 107 pages. $2.95.

TVA—DEMOCRACY ON THE MARCH. By David E. Lilienthal. Harper & Brothers, New York, 1953. Twentieth Anniversary Edition. 294 pages. $3.50.

INTRODUCTION TO BUSINESS FINANCE. By Bion B. Howard and Miller Upton. McGraw-Hill Book Company, Inc., New York, 1953. 565 pages. $6.00.

CREDIT AND COLLECTION PRINCIPLES AND PRACTICE. By Albert F. Chapin. McGraw-Hill Book Company, Inc., New York, 1953. Sixth edition. 584 pages. $6.00.

SUCCESSFUL SALESMANSHIP. By Paul W. Ivey and Walter Horvath. Prentice-Hall, Inc., New York, 1953. Third edition. 456 pages. $7.35.

A HISTORY OF ECONOMIC THOUGHT. By John Fred Bell. The Ronald Press Company, New York, 1953. 696 pages. $6.50.

THE AMERICAN MANAGEMENT ASSOCIATION

THE AMERICAN MANAGEMENT ASSOCIATION is a cooperative organization of industrial and commercial companies, business men, consultants, government officials, college instructors and other professional people who are interested in the development of better management methods. The AMA makes no profit, does no lobbying, and advances no propaganda. Its interests are solely in the solution of current business problems.

The AMA serves its members through eight Management Divisions: Personnel, Manufacturing, Office Management, General Management, Finance, Insurance, Marketing, and Packaging. AMA makes possible for its members a broad interchange of information and experience by means of the following services:

- ***Conferences***—large-scale meetings, held once or twice a year in each of AMA's eight Management Divisions.

- ***Publications***—three of the country's foremost business periodicals: THE MANAGEMENT REVIEW, PERSONNEL, and MANAGEMENT NEWS; research reports and conference proceedings in AMA's eight Management Divisions; books on subjects of current interest.

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- ***Executive Compensation Service***—continuing reports on current executive salaries and other types of compensation.

- ***Briefing Sessions***—meetings specializing in background information on current topics.

- ***Expositions***—The Annual Packaging Exposition; special exhibits of forms, records, manuals and other managerial tools and documents.